MUFG Bank (Europe) N.V.
Annual Report
For the period ended 31 March 2019

Contents

Who we are

MUFG Bank (Europe) N.V. (hereinafter ‘MBE’) is the fully-owned subsidiary of MUFG Bank, Ltd. (hereinafter ‘MUFG Bank’), one of the world’s largest banks in terms of assets with more than a century of experience in both Japan and international financial markets. For more than 45 years, MBE has been offering commercial banking services to both Japanese and non-Japanese corporate customers in the Netherlands and, through its branches and subsidiaries, in Central and Eastern Europe.

MUFG Bank is the premier commercial banking arm of Mitsubishi UFJ Financial Group, Inc. (hereinafter ‘MUFG Inc.’), one of the world’s largest and most diversified financial groups, offering a wide range of financial services, including commercial banking, trust banking, securities services, project finance, consumer finance and asset management. MUFG Bank has the largest overseas network of any Japanese bank, comprising offices and subsidiaries in more than 40 countries.

Corporate Vision

The corporate vision serves as the Basic Policy in conducting our business activities, and provides guidelines for all group activities.

The corporate vision also is the foundation for management strategies and management plans, and serves as the core value for all employees.

MUFG has established Principles of Ethics and Conduct based on its Corporate Vision. These principles provide standards for all MUFG employees to guide their decisions and actions, thereby leading them to realize the Corporate Vision.

Important issues concerning value creation

Our mission

To be a foundation of strength, committed to meeting the needs of our customers, serving society, and fostering shared and sustainable growth for a better world.

Our vision

Be the world’s most trusted financial group

1. Work together to exceed the expectations of our customers
2. Provide reliable and constant support to our customers
3. Expand and strengthen our global presence

Our values

1. Integrity and Responsibility
2. Professionalism and Teamwork
3. Challenge Ourselves to Grow

Our business model

Being incorporated as a commercial bank under Dutch law and being part of a prominent Japanese banking group of high international reputation, MBE aims at fulfilling corporate customer's needs in close cooperation with the parent bank and taking full advantage of the exceptional resources of MUFG Inc.

MBE offers amongst others corporate lending, trade finance, international syndicated finance, lease and trust activities and serves the growing number of companies which are active in Continental Europe through its offices in The Netherlands, Belgium, Austria, Czech Republic, Germany, Spain and Portugal.

In close co-operation with and support of the European Business Division of MUFG Bank, located in London, MBE participates in international syndicated finance activities both through its office in Amsterdam and its 100%, UK-based subsidiary, MUFG Funding (UK) Limited.

Key figures

As at statement of Financial Position date

amounts in millions of €s

Statement of financial position

	31 March 2019	31 March 2018*	31 Dec 2016	31 Dec 2015	31 Dec 2014
Loans & advances to customers	12.408	6.639	5.886	4.711	4.779
Shareholder's equity	1.849	1.235	616	587	578
Total assets	19.374	16.762	8.699	7.880	7.244

Results

	31 March 2019	31 March 2018*	31 Dec 2016	31 Dec 2015	31 Dec 2014
Net interest income	88	35	24	24	27
Total operating income	140	63	47	47	51
Credit loss income (expense)	(11)	1	-	1	2
Operating expenses	124	71	44	38	32
Result for the year	(10)	(6)	1	8	16

Other

	31 March 2019	31 March 2018*	31 Dec 2016	31 Dec 2015	31 Dec 2014
Risk-weighted assets	13.606	4.300	3.772	3.981	3.508
Leverage ratio	7,3%	6,7%	6,8%	4,3%	4,9%
BIS Total capital ratio	15,7%	35,6%	16,3%	14,7%	16,4%
Operating expense/income ratio	88,6%	112,8%	93,9%	80,3%	61,3%
Number of employees (average)	630	255	225	161	160
> Domestic	252	194	177	109	109
> Abroad	378	61	48	52	51

(*) During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of offices in Germany, Spain and Portugal as per 1 April 2018. As a result the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

General information

Registered office

World Trade Centre Amsterdam (I Tower 5th floor)

Strawinskylaan 1887

1077 XX Amsterdam

The Netherlands

Supervisory Board

W.F. Nagel (chairman)

T. Sazaki (vice-chairman)

K.W. Peacock

Management Board

H. Takase (chairman)

M.F. Rosenberg

K. Kuzuhara

E. Shakhurina

M.A.B. Selles

Auditor

Deloitte Accountants B.V.

Gustav Mahlerlaan 2970

1081 LA Amsterdam

The Netherlands

Chamber of commerce

Registration number: 33.13.25.01

Report of the Supervisory Board

Supervisory Board

The Supervisory Board administers the risk profile and control framework of MBE. The Supervisory Board supervises, advises and challenges the Management Board in the exercise of their duties, and is responsible for the general course of business of MBE and its related companies pursuant to MBE's Articles of Association, MUFG principles of Ethics and Conduct and prevailing legal and regulatory requirements, including the Dutch Banking Code.

The Supervisory Board has drawn up a profile to be used as a basis for its composition. The Supervisory Board has four members. Currently there is one vacancy, and a candidate has been nominated to fill this position. MBE deem four Supervisory Board members a sufficient number taking into consideration MBE's size, nature and range of services and products. The Supervisory Board has two members who are employed by MBE's parent, MUFG Bank. The chairmanship resides with an independent member.

In terms of expertise, the Supervisory Board members have extensive know-how in fields such as banking and finance, corporate governance and risk management.

The Supervisory Board has established an Audit, Compliance and Risk (ACR) Committee, which assembles on a quarterly basis. The Committee is composed of one independent Supervisory Board Member. The task of the Committee is to prepare the decision making by the Supervisory Board, especially by holding prior, separate meetings with the internal audit, compliance and risk officer and the external auditor of MBE. The activities of this committee do not affect the collective responsibility of the Supervisory Board itself.

The Supervisory Board members are included in the lifelong learning program. In the period ended 31 March 2019, trainings were offered on key regulatory themes for 2018, as well as cybersecurity.

Composition of Supervisory Board

Chairman – Mr. Marius van Nieuwkerk (resigned on 1 September 2019)
Mr. Van Nieuwkerk joined the Supervisory Board of MBE in 2007 and took over the role of Chairman from Mr. Sodderland effectively from 1 October 2017. His high level of knowledge and experience is evidenced by his long employment with the Dutch Central Bank in national and international top senior management positions. This is not only demonstrated by his close involvement in the development of new regulations, but also by his active membership in a number of monitoring committees, such as the committee of supervisors for the international banking sector and the committee that monitored the international financial markets (BIS in Basel). As he has been an independent member of the Supervisory Board of MBE for 12 years, he developed substantial knowledge of the organization. Mr. van Nieuwkerk resigned from the Supervisory Board on 1 September 2019 and was succeeded as chairman by Mr. Nagel.

Chairman - Mr. Wilfred Nagel (effective 1 September 2019)
Mr. Nagel joined the Supervisory Board per 6 November 2017 and took over the role of Chairman from Mr. van Nieuwkerk effectively from 1 September 2019. During his career at ING he gained experience through a variety of senior Management Board as well as Supervisory Board positions, both in The Netherlands and abroad. In his last role he was the CRO of ING Groep NV. Mr. Nagel is also the chairman of the SB Audit, Compliance and Risk Management Committee of MBE. He has experience as CEO of sizable financial institutions managing major subsidiaries abroad. Through this he has experience with both local and foreign regulatory supervision. He has deep knowledge of the markets where MBE operates and has been involved in wholesale banking, project finance and leasing.

Vice Chairman- Mr. Takanori Sazaki *(effective 5 June 2019)*
Mr. Sazaki is the most recent addition to the Supervisory Board and joined per 5 June 2019. He is the successor of Mr. Osawa, and has taken over the role of vice chairman from Mr. Peacock. Mr. Sazaki is currently MUFG's Regional Executive for EMEA and in this role is responsible for safety, soundness and governance. He has worked for MUFG over 30 years across Asia, the US and EMEA and has broad experience in investment banking and governance matters.

Member - Mr. Kerry Peacock
Mr. Peacock joined the Supervisory Board of MBE in September 2016 as vice chairman. Mr. Peacock has over 30 years' experience in the banking sector as well as specific knowledge regarding MUFG group as he has been leading the Operations division of EMEA for MUFG Bank since 2008. He has been a member of several committees within the MUFG group, which gives him a broad and in-depth understanding of MUFG, its internal codes and procedures. As mentioned above Mr. Peacock has handed over his function as vice chairman to Mr. Sazaki on 5 June 2019.

Member – Mr. Masakazu Osawa *(resigned on 2 June 2019)*
Mr. Osawa joined the Supervisory Board of MBE in July 2016 when he was the Chief Operations Officer of EMEA for the parent bank. He has a long career with MUFG and is currently head of the digital transformation division & corporate planning division in Tokyo. He has a legal background both in Japan and the US and as such has knowledge on and experience with laws and regulations applicable to banks. He also has experience in the compliance function, planning and project management. As mentioned above Mr. Osawa resigned from the Supervisory Board on 2 June 2019 and was succeeded by Mr. Sazaki.

Meetings of the Supervisory Board

In the period ended 31 March 2019, the Supervisory Board held five meetings. During the meetings, all members were either physically present or by means of video conferencing access.

During the period, the Supervisory Board discussed with the Management Board a great number of subjects, including but not limited to risk management, credit provisioning, integrity, corporate governance and the Dutch Banking Code, in order to assure itself by means of its own examination as to the adequate management of risk and the control framework of MBE. Members of the Supervisory Board consulted with external auditor Deloitte, the head of the internal audit division, the division heads in charge of risk management and compliance, the head of the finance division and representatives of the works council on a regular basis.

The Supervisory Board reviewed the Remuneration Policy, the remuneration of the Management Board and staff identified as 'Material Risk Takers', and reviewed its own functioning. The performance review of the Supervisory Board, its individual members and the ACR committee identified the need for a financial specialist (CPA) in the regulatory sense of the term.

Additionally, the Chairman of the Supervisory Board discussed relevant topics related to the Dutch Banking Code, Basel III, the ICAAP/ILAAP process and IT issues with the Management Board.

The Supervisory Board and/or its Chairman had meetings with representatives of DNB on issues such as capitalization and liquidity, risk assessment, outsourcing, governance, Asset & Liability Management Committee (ALMC) and Know-Your-Customer (KYC).

During the year, the Supervisory Board had the following focus areas and activities:

- MBE's business development, financial position and results.
- Project Stella. Since the conversion of MUFG Bank German and Spanish/Portuguese offices into a branch of MBE were successfully completed on 1 April 2018 the focus is on integration of the branches into MBE.
- MBE's compliance with legislation, codes and regulations.

Audit, Compliance and Risk Committee

The ACR Committee is responsible for supervising matters related to financial reporting, controlling, risk, and compliance. The Committee consist currently of one independent member, which is the chairman of the Supervisory board (Mr. W. F. Nagel). The Committee is regularly consulted and involved in the progress made on the challenges imposed by MBE's considerable expansion, ensuring that MBE is positioned to strengthen the internal organization by adding staff and to cope with increased regulatory demands.

The ACR has also extensively discussed the following subjects:

- MBE's Risk appetite.
- Increased regulatory requirements.
- SOx, internal controls and compliance.
- The annual report.
- The governance of MBE, specifically the need to separate the CFO and COO roles in the bank, and the need to appoint dedicated MB members for each task.
- The role of the president, the number of deputy presidents and the voting arrangements in the Management Board.
- The development of functional lines in the newly established continental European organization.
- The actions taken regarding various control- and compliance weaknesses, and the progress thereof.
- The remuneration policy, which was, under the guidance of the ACR, substantially modified to comply with local legal and regulatory requirements as well as EBA guidelines.

Remuneration policy

The Remuneration Policy of MBE complies with the Act on Financial Supervision, the 'Regeling beheerst beloningsbeleid Wft 2014', and the principles under CRD IV and MIFIDII. MBE has also taken the EBA's Guidelines on Sound Remuneration Policies ('Guidelines') into consideration. It is recognised that MBE's scope and scale has increased. Therefore a full review and update of the MBE remuneration policy was completed in 2018 ensuring compliance with all appropriate regulations and guidelines, including the introduction of a shared price linked deferral scheme for Material Risk Takers (MRT), which has been implemented this year. The supervisory Board considers the introduction of the share price linked deferred incentivizes long term commitment to MBE.

The Supervisory Board is responsible for the evaluation of the Remuneration Policy adopted in regards to the Management Board members and all senior staff in control functions (including risk management, compliance and audit), and approves overall remuneration pools. The Supervisory Board also oversees the implementation of the Reward Policy by the Management Board.

Remuneration consists of two key components, an annual fixed remuneration (including fixed allowances, non-discretionary pension benefits and standard benefits) and a performance related variable remuneration (a portion of which may be deferred on a mandatory basis).

Fixed remuneration
Fixed remuneration is intended to remunerate employees for their skills and experience, taking into account local market practices. Fixed remuneration is reviewed on an annual basis in line with the performance review process. This ensures that performance from the previous performance year can be taken into consideration when reviewing individual remuneration.

Variable remuneration
Variable remuneration rewards employees for their performance and the delivery of financial and non-financial targets, values and behaviours, whilst reflecting performance, affordability and the financial situation of MBE. Individual performance is evaluated through MBE's performance management process, and there is to be a direct correlation between remuneration outcomes and performance ratings.

Bonus Cap
The Bank applies the following maximum of Variable remuneration:

- Variable remuneration cannot exceed 20% of fixed remuneration for anyone who works 50% or more of their time in the Netherlands.
- For the branches and subsidiaries which the Bank operates in the EU, the ratio between Variable remuneration and fixed remuneration is at maximum 100%.

Material Risk Takers (MRT)
Material Risk Takers (MRTs) are employees whose professional activities have a material impact on MBE's risk profile, and who are therefore subject to enhanced remuneration structures, including deferral, clawback and malus.

The qualitative and quantitative criteria to identify employees whose professional activities have a material impact on an institution's risk profile are defined in the Delegated Regulation on criteria to identify MRTs (Art. 2 and Art.3 of (EU) No 604/2014). The identification of MRTs is managed through the Material Risk Takers Identification Process, and MRTs receive separate communication notifying them that they have been identified as such. The Supervisory Board can identify any other employee, in addition to employees who perform senior management functions, to have a material impact on MBE's risk profile in their opinion.

Deferred awards
In line with regulatory requirements, MBE applies deferral arrangements to variable remuneration for a MRT. All deferred awards granted to a MRT are governed under the Rules of the Material Risk Takers Deferral Plan. Where the variable remuneration awarded to a MRT is less than €10.000, the MRT Deferral Plan will not apply and the employee will be subject to the General Deferral Plan.

MBE applies deferrals for Management Board members and MRTs where the individual awards exceed €10.000. A deferral of 40% is applied to the variable remuneration award, with the deferral vesting on a pro-rata basis for three years. Half of the total award is granted as deferred. And the other half is granted as non-deferred as a share price linked award which is subject to one year retention.

The Supervisory Board has the authority to adjust or reclaim variable remuneration in exceptional circumstances ('clawback') for MRT's, including Management Board members, for three years from the date of award. In addition to clawback, the Supervisory Board may also make use of malus. This is an arrangement that permits MBE to prevent vesting of all or part of the amount deferred compensation in relation to risk outcomes of performance.

Individual adjustment of all or part of the variable remuneration, including deferred awards, can be done with the full discretion of the Supervisory Board generally, but not exclusively, along the following guidelines:

- There is a downturn in the financial performance of MBE.
- MBE's risk related policies or limits have been breached.
- A compliance failure has been committed.
- A regulatory breach has taken place.
- Actions or behaviours which have damaged MBE's reputation.
- Where an award is inconsistent with MBE's long-term risk or compliance interests.
- Where vesting of a variable pay award is inconsistent with MBE's long-term risk or compliance interests; or
- Any incident which the Supervisory Board, in its sole discretion, determines to warrant an adjustment.

In regards to the evaluation of individual performance, MBE operates a robust performance management process which includes objective setting, formal evaluation against objectives, mid-year and year-end performance reviews, and the allocation of an overall performance rating. Non-financial performance criteria make up a significant portion of an individual's assessment.

MBE also assesses individuals on core competencies which are aligned to MUFG Group's values. Variable remuneration awards are allocated to employees taking into account performance against these aspects.

MBE does not award retention nor predefined severance pay to Management Board members and MRTs.

The remuneration of Supervisory Board members is set by the annual general meeting of the shareholder. The remuneration is deemed to be proportional to the time required to perform the supervisory activities and to be independent of MBE's financial results, and Supervisory Board members are not eligible for variable compensation.

Details on the remuneration of the Supervisory Board members, Management Board members and MRTs can be found in Note 30 to the consolidated Financial Statements.

Dutch Banking Code

The Dutch Banking Code sets out principles that banks with a corporate seat in The Netherlands should observe in terms of corporate governance, risk management, audit and remuneration.

MBE implements the principles of the Dutch Banking Code. The principles fit within the corporate governance principles applied by MUFG Bank and the ultimate parent MUFG Inc. It is the group's corporate vision to 'be the world's most trusted financial group'. The Dutch Banking Code application is available on MBE's website: https://www.nl.bk.mufg.jp/useful-information/corporate-governance-compliance/dutch-banking-code/.

All important issues addressed in the Banking Code and similar rules and regulations are being discussed in the meetings including risk management, especially credit risk and provisioning, compliance, audit and internal control framework, remuneration and new product approval process.

Mindful of the characteristics of and circumstances surrounding MBE as explained below, MBE has decided not to apply the following provisions of the Dutch Banking Code:

- No remuneration is paid to supervisory members employed by MUFG Bank, pursuant to the MUFG Bank group policy in this respect.
- In terms of the composition of the Supervisory Board in relation to independence, the composition of the Supervisory Board is such that two members of the three members are Supervisory Board members employed by MUFG Bank. Pursuant to the by-laws of MBE, the chairperson of the Supervisory Board is not employed by MUFG Bank and in each meeting the independent members are jointly capable of casting at least half of the votes.

The reasons for not applying these provisions of the Dutch Banking Code are the result of following characteristics and circumstances of MBE:

- MUFG Bank is the sole (100%) shareholder of MBE; consequently the shares of MBE are not listed.
- The shareholder, MUFG Bank, also acts as the global head office of MBE, implying central oversight on key areas like risk management, compliance, internal audit and financial and management accounting.
- Important statutory authorities are assigned to the shareholder, like nomination of supervisory and managing board members and external auditor.
- MBE is organization-wise and management control-wise part of a larger, internationally operating banking group, supervised by the financial supervisory authorities of the home country (Japan).
- The size and nature of MBE's commercial activities, reflected by the limited complexity of customer/product combinations.
- The size of the Supervisory Board (three members).

Financial Statements

During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank), which assisted with the integration of the German, Spanish/Portuguese Branches. As a result, comparative figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

In accordance with article 15 of MBE's articles of association, we hereby submit to the shareholder the Financial Statements for the year 1 April 2018 to 31 March 2019, which includes among others the report of the Management Board and the Financial Statements drawn up by the Management Board, examined by the Supervisory Board and audited by Deloitte Accountants B.V.

The balance sheet of MBE has increased as per 1 April 2018 due to the incorporation of the German and Spanish/Portuguese branches. These branches have been acquired as payment in kind for share capital (4 shares).

Despite the growth, a challenging macro-economic environment together with higher regulatory and integration costs has resulted in a loss for the fiscal year. MBE's strategy is to further integrate the activities throughout Europe to serve its customers and improve efficiency.

We propose the shareholder to approve the Financial Statements as submitted by the Management Board and to discharge the members of the Management Board and the Supervisory Board for their management and supervisory duties respectively during the period ended 31 March 2019. We endorse the proposal by the Management Board to have no dividend payment as there is no net profit for the period ended 31 March 2019.

Information, consultation and conclusion

Besides its yearly self-evaluation this year the Supervisory Board also engaged an external party to review it's functioning. Both the end evaluation by this external party as well as the self-evaluation of the Supervisory Board took place on 14 March 2019. The Supervisory Board is of the opinion that the consultations during meetings of the Supervisory Board are open and informative. All important issues addressed in the Banking Code and similar rules and regulations are being discussed in the meetings including risk management, especially credit risk and provisioning, compliance, audit and internal control framework, remuneration and new product approval process. Contacts between the Supervisory Board and the Works Council took place in a constructive and professional atmosphere. The relationship between the Management Board and the Supervisory Board is good. So is the relationship amongst the members of the Supervisory Board. The conduct and effectiveness of each of the members of the SB were discussed explicitly. The Supervisory Board concluded that the Supervisory Board and each of its members function properly.

The Supervisory Board acknowledges that the Management Board has duly provided the Board with adequate and up-to-date information and has been consulted on MBE's policy and controls where needed, enabling the Supervisory Board to perform its supervisory tasks adequately. The Supervisory Board approves the Financial Statements of MBE as presented by the Management Board.

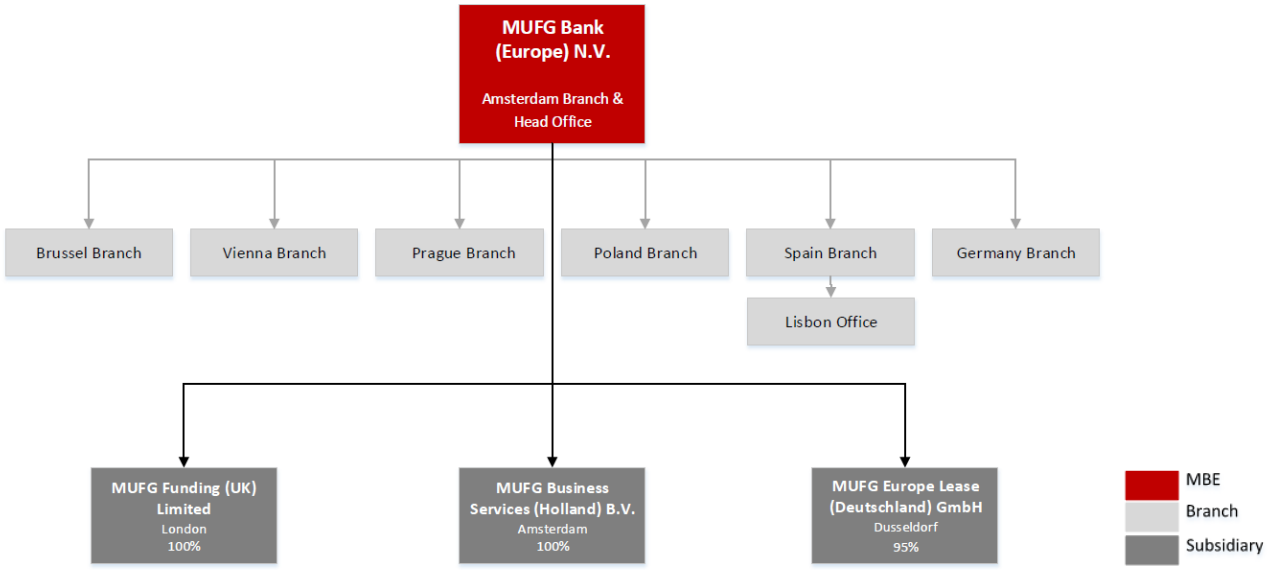
Amsterdam, 18 September 2019

W.F. Nagel
T. Sazaki
K.W. Peacock

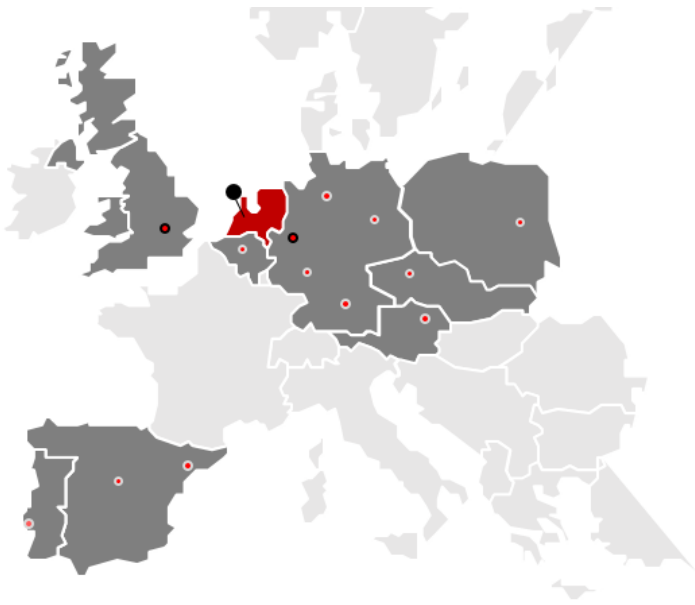
Report of the Management Board

During the year MBE worked on integrating the as per 1 April 2018 acquired MUFG Bank, German and Spanish/Portuguese offices. The successful on boarding of the German and Spanish/Portuguese offices reinforces MBE and MUFG commitment to continental Europe in order to better serve our clients' needs.

Underneath the organisational structure:



MBE serves its customers via the 14 offices located in The Netherlands, Germany, Spain, Portugal, Poland, Belgium, Austria and Czech Republic.



Business activities

MBE's activities comprise corporate banking including the introduction of our corporate customers to other members or affiliates of our group. Our corporate customer portfolio consists of Japanese related and non-Japanese related corporates. We work in partnership with other entities within the MUFG Inc., allowing us to offer tailor made solutions to our customers. The strength and global presence of the MUFG Inc., of which we form part, enables us to provide a strong business case to (prospect) companies.

We continue, in line with our parent bank MUFG Bank, to focus on growing the corporate customer portfolio in our chosen markets, with a special focus on non-Japanese corporate business opportunities. European Treasury Division of our parent bank, MUFG Bank, London, remains our main counterparty for executing our inter-bank market transactions.

Risk management

Servicing corporate customers remains the main business activity of MBE in continental Europe. As such MBE is exposed to risk through executing its business and maintaining the required infrastructure in support of that. These risks encompass amongst others credit, operational, IT security, market, and liquidity risk. MBE has defined a risk appetite reflective of the type of risks it is exposed to, the capacity for earnings and potential loss absorption. To ensure that aforementioned risks remain within manageable and acceptable boundaries and in line with MBE's business targets and risk appetite MBE maintains a risk management framework, monitoring and reporting capability. The risk management framework is governed by a system of policies, procedures, committees and line staff functions. To comply with the requirements set out in article 391 Book 2 of the Dutch Civil Code we refer to Note 32 of the Notes to the consolidated Financial Statements for detailed information on MBE's Risk Management Framework, the identified risks, exposures and mitigations.

Organisation & operations

Considering the envisaged changes to our European span of control and the vast increasing number of regulations and reporting requirements, in line with our strict policy to comply with the requirements, we have increased our investment in staff, systems and control-functions. As a result of ever changing market circumstances and (new) regulatory requirements the Management Board regularly assesses whether changes to MBE's organization are required. Our in house and outsourced IT processing continued to deliver a solid and stable performance.

Our Staff

The average number of employees on a consolidated level was 630 for the period ended 31 March 2019. The majority of the employees are based in Amsterdam (252 FTE) and in Germany (227 FTE).

Corporate governance

MBE implements principles and best practice provisions regarding corporate governance (established in the Dutch Corporate Governance Code) in so far these are applicable to MBE, being a non-listed financial institution. MBE has a two-tier system, consisting of a Supervisory Board and a Management Board. The Management Board and the Supervisory Board underpin the importance of good corporate governance and have undertaken initiatives to further strengthen the corporate governance. Examples are the establishment of a separate Compliance Division and Risk Management Division. The Compliance Division reports to the Chief Risk Officer and has an independent line to the Supervisory Board.

MBE has established a Code of Conduct and governance-related policies such as a whistle blowing policy and insider regulations which apply to all its employees and others working with MBE. All members of the Management Board and Supervisory have taken the 'Banker's Oath'. All employees joining MBE in the Amsterdam office have to take the Banker's Oath. Both the Code of Conduct and the Banker's Oath emphasize the role of banks in society, their commitment to meet the expectations of the society and to contribute to public trust in banks within society. On a regular basis, meetings and trainings are organised for all staff comprising amongst others awareness of our core values and behaviours.

Management Board

The Management Board is responsible for the day-to-day operations of the business and the long-term strategy. The Management Board also ensures that MBE complies with the relevant legislation and regulatory requirements.The Management Board by-laws reflects the Dutch Banking Code principles. Focusing on principles regarding composition and expertise requirements, lifelong learning program, risk management and responsibility to ensure the interests of all stakeholders of MBE are considered in all actions by the Management Board. Currently the Management Board does not comply with the gender diversity ratio of 30%. However with the joining of Ms. Shakhurina the gender diversity ratio has increased to 20%.

Mr. Bart IJssel de Schepper requested to step down from the Management Board on 17 August 2018. The Management Board highly appreciates Mr. IJssel de Schepper's contribution to MBE and have therefore asked him to remain at MBE until 1 March 2019 as an advisor to the Management Board. In this role, he has supported the Management Board in a smooth transition of his tasks and responsibilities.

The members of the Management Board have thorough and in-depth knowledge of the financial sector and the banking sector in particular. Collectively have broad experience in the fields of governance, organisation and communication, products, services and markets within MBE's scope of activities.

The Management Board collectively manages MBE and is responsible for its objectives, strategy and related risk appetite, as well as the development of financial results. The Management Board is assisted with its duties by the Operation & IT Committee (OIC), Business Continuity Committee, Risk Management Committee (RMC), Operational, Information & Security Risk Committee, Asset Liability Management Committee, Credit Risk Management Committee, Compliance Committee (ACC), New Product Committee, Anti Money Laundering Committee, Change Control Committee, and Credit Committee (CC).

The Management Board is responsible for developing, communicating and enforcing standards on integrity, morals and leadership in MBE. The Management Board will promote a healthy culture both at the top of MBE and throughout the organisation.

A life-long education for members of the Management Board is established. In the 12 month year trainings were offered on key regulatory themes for 2018, as well as cybersecurity. The program is designed to keep the members' expertise up to date and in line with regulatory developments.

Composition of Management Board

President – Mr. Shichito Tobari *(resigned on 9 August 2019)*

Mr. Takase joined the Management Board of MBE on 9 August 2019, taking over the role of Mr. Tobari. Mr. Tobari joined the Management Board of MBE on 16 June 2017. He transferred to MBE from Dubai where he was Managing Director and Regional Head of MUFG Banks Middle East branch organisation. Throughout his career with MUFG, he gained experience in various managerial positions in different branches and departments both in Japan and internationally. He has vast experience in M&A, corporate banking and transaction services. He also has experience in the areas of risk control, operations, (internal) audit, legal accounting and systems. Mr. Tobari resigned from the Management Board on 9 August and was succeeded by Mr. Takase.

President – Mr. Hideaki Takase *(effective 9 August 2019)*

Mr. Takase joined the Management Board of MBE on 9 August 2019, taking over the role of Mr. Tobari. Mr. Takase has deep industry experience in corporate banking and business management, having served MUFG in distinguished leadership positions in Japan and the United States as part of his 28-year career. As Chair of the Management Board, he will oversee and further develop the bank's business strategy and internal controls.

Deputy President & Chief Risk Officer – Mr. Maarten Rosenberg

Mr. Rosenberg joined the Management Board of MBE on 1 November 2016. He gained most of his experience and knowledge of the risk area at various national and international managerial positions at Rabobank. At MBE Mr. Rosenberg is the Chief Risk Officer. He has vast experience in risk management, administrative organisation and internal control procedures. He has in-depth knowledge of KYC and CDD procedures. He also has experience in financial markets, financial products and corporate lending.

Chief Strategy and Planning Officer – Mr. Kiyoshi Kuzuhara

Mr. Kuzuhara joined the Management Board of MBE on 17 March 2017 transferring from his position as Deputy Head of Germany which was at the time still a branch of MUFG Bank. Throughout his career with MUFG, he has gained experience in various treasury related areas and in total worked over 10 years in Germany. During this time he gained adequate knowledge of the relevant German and EU laws as wells as a better understanding of the EU market. He has vast experience in treasury/global markets, capital markets and transaction banking, including cash management. He also has experience in compliance, HR, risk management and planning.

Chief Operations Officer – Ms. Elena Shakhurina *(effective 19 April 2019)*

Ms. Shakhurina joined the Management Board of MBE on 19 April 2019. She joined MUFG in 2005 and has helped establish the bank's presence in Moscow over the past 14 years, most recently serving as President of MUFG Bank (Eurasia). Throughout her career Ms. Shakhurina gained broad experience in IT, Operations and internal control as well as Data Management. She has amongst other skills, strong leadership skills. By the joining of Ms Shakhurina, gender diversity is added to the Management Board.

Chief Financial Officer – Mr. Mark Selles *(effective 1 September 2019)*

Mr. Selles joined the Management Board effective 1 September 2019. He has a wealth of experience in the banking sector from major financial institutions across Europe. Mr Selles has held several executive positions as CFO and COO as well as non-executive director positions. His areas of expertise include Finance, Accounting, Regulatory Reporting and Liquidity, Asset & Liability Management.

Sustainability

Sustainability is integrated directly into the core of MUFG Group's business strategy. MBE supports the opinion that financial services have an important role to play in creating a healthy and sustainable world. MBE works to fulfil its corporate social responsibility through its business, using its vision, values and principles of ethics and conduct as guideline. One of our core values is integrity and responsibility.

MBE aims to help resolve environmental and social issues through its business activities while securing sustainable growth. To this end, we have determined priority issues to be addressed by MBE. This determination involved selecting issues relevant to MBE's operations at home and abroad from among the environmental and social issues identified by United Nations Sustainable Development Goals (SDGs) as well as prevailing industry standards.

Furthermore, we have incorporated input from external specialists. Currently, each global business group has incorporated these priority issues into their business strategies and is pushing forward with initiatives to address these issues. Subsequently the group's SDG priorities bare an effect on MBE's activities and will be further defined and integrated in a broader approach to Environmental, Social & Governance (ESG) issues, based on MBE's specific footprint and activities in the coming years.

In order to promote Group-wide CSR activities, MUFG has established the Corporate Social Responsibility Committee, primarily consisting of members of the Executive Committee of the Mitsubishi UFJ Financial Group. As a general rule, the Committee meets once a year to debate over the Group-wide policy for CSR activities, develop its measures and strengthen cooperation among all the group companies of MUFG. In line with the Group-wide CSR policy, we promote CSR activities leveraging characteristics of each company. Locally, MBE maintains a portfolio of CSR type activities –involving local staff for maximum engagement.

Customer care

The focus on clients' interests and the duty to put client interest as the highest priority is embedded in our (corporate) culture. The afore mentioned together with the group's initiative to promote Corporate Social Responsibility (CSR) will lead to becoming the world's most trusted financial group. It is our common aim to create a sustainable franchise, by continuing to build long-term relationships with our customers and to deliver transparent and sustainable (financial) solutions.

MBE has a partnership with CRS partner JINC. JINC strives for a society in which a child's background does not determine a child's future, and this is in line with MUFG's CSR strategy to equip the next generation of young people with the skills and knowledge required to gain and sustain employment, generate wealth and create jobs. Over the coming year JINC and MBE will work together to reach local youth and help them to a good start in the labour market.

Audit

The Internal Audit function forms an essential part of the control mechanism of MBE. Internal Audit is independently positioned, reporting directly to the chairman of the Audit, Compliance and Risk Committee and hierarchically to the President of the Management Board.

In accordance with the Internal Audit Charter, the mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps MBE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Once a year, the MBE Chief Auditor initiates a meeting with DNB and the external auditor (tripartite meeting), to discuss each other's risk analysis and findings and each other's audit plan at an early stage. In addition, Internal Audit meets at least quarterly with the External Auditor, to share views on relevant developments and significant outcomes of respective assurance activities.

MBE Internal Audit also aims to contribute to, and benefit from, a group-wide strategic programme called Global Audit Transformation. By integrating the third line of defense and operating a more consistent Internal Audit function across all parts of MUFG worldwide, Internal Audit can provide group-wide assurance more effectively, leveraging subject matter expertise, global tools and practices.

Product approval

The product approval and review process is carried out within the framework of the Group-wide (MUFG level) policy for new product approval. New products are risk assessed and approved before they are being offered to customers. In addition, products are periodically reviewed to ensure they comply with relevant legislations and continue to meet customer needs. The internal audit function checks whether the product approval process has been designed properly, is present and is working effectively on an annual basis. The results are reported to the Management Board and Supervisory Board.

During this reporting period, we have identified room for improvement in both the periodic product assessment as well as the new product approval process. MBE has subsequently taken initiatives to further enhance the governance and execution of the product approval and review process, prevailing within MUFG group.

Next to a limited of new products being approved and implemented there has also been a selection of products decommissioned over the course of the reporting period.

Current business situation

MBE, in close cooperation with MUFG Bank and taking full advantage of the exceptional resources of MUFG Inc., aims at fulfilling both our Japanese and non-Japanese corporate customers' needs. MBE recognises The Netherlands as an excellent home for (foreign-owned) financing and holding companies, European headquarters of sales, distribution, and manufacturing companies. In 2017 DNB granted permission for the German and Spanish/Portuguese branches of MUFG Bank to be fully integrated within MBE. This was successfully executed on 1 April 2018.

By changing our internal organization, we are able to provide better service through branches in 8 countries: The Netherlands, Belgium, Austria, Czech Republic, Poland, Germany, Spain and Portugal. MBE considers the Central and Eastern European markets as a promising economy for its Japanese and non-Japanese clients.

In close co-operation with and support of the European Business Division of MUFG Bank, located in London, MBE participates in international syndicated finance activities both through its office in Amsterdam, and its 100% UK-based subsidiary MUFG Funding (UK) Limited.

The objectives are derived from the strategy and are set by the Management Board and are continuously monitored and evaluated. The Mid-Term Business Plan (MTBP) process, which incorporates plans for a three year period, is also driven by MBE's strategy in conjunction with the strategy of its shareholder MUFG Bank. The MTBP focusses on commercial banking businesses with Japanese Corporate Customers and Non-Japanese Corporate Customers, and specific objectives and strategies are formulated.

MBE faces various risks not directly associated with its business activities. Two main developments stand out. Internally MBE conducted its second phase of project Stella in which it both legally and operationally incorporated MUFG's German and Iberia operations, which triggered the existing organizational changes. The risks are mitigated through taking deliberate and calculated steps. The external developments emerging from Brexit negotiations might pose a risk or opportunity to MBE. A risk because of the various outsourcing agreements with MUFG Bank's London branch, an opportunity because of the potential shift of UK business to continental Europe. MUFG EMEA and MBE run a joint Brexit-strategy plan and program. In addition, MUFG established a new entity organized in The Netherlands, MUFG Securities (Europe) N.V. on 25 March 2019 in order to provide securities services to MUFG clients across EU after Brexit.

MBE launched a strategic change program in order to ensure the smooth transition after the integration of the branches across the continent and to enhance the business promotion, control and governance, which might cause an increase in cost over the short-term run.

MBE has updated its Medium-term Business Plan for the year 2018-2020. It has defined a business model, strategic design, and strategy roadmap. However, changes in markets and customers are not fully reflected in the plan due to the uncertainties as described above. Thus, the business model remains roughly unchanged for the forthcoming fiscal year but would be revised once satisfactory information becomes available.

Financial results

The statement of financial position and statement of profit or loss account have substantially increased as a result of the acquired German and Spanish/Portuguese branches.

The market environment in which MBE operates continued to be very challenging across all branches, with the demand for credit by our customers remaining on the low end. The total operating income grew from € 63m for the period ended 31 March 2018 to € 140m for the period ended 31 March 2019. The net commission income grew from € 2.2m to € 9.7m for the period ended 31 March 2019.

The total operating expenses increased to € 124m for the period ended 31 March 2019 from € 70.5m for the period ended 31 March 2018. The average number of staff increased from 255 to 630. Furthermore, supervision cost as well as the increasing number of new regulations and changes to regulatory requirements demand more investment into IT systems and staff. Nevertheless, considering the nature and the expected temporary character of a substantial part of the cost increase in combination with the medium term business plan, the Management Board is of the opinion that the cost income ratio will return to more healthy levels in the future.

Liquidity and capital adequacy

In order to achieve the onboarding of the German, Spanish and Portuguese offices, MBE required a capital injection. MUFG Bank injected an additional CET1 Capital of € 625m and Subordinated debt of € 300m during March 2018 and extra liquidity was kept at the Dutch Central Bank. This resulted in a temporary higher BIS total capital ratio (35,6%) and liquidity coverage ratio (LCR) (180%) at 31 March 2018 and the NSFR was 147%. After onboarding of the offices, the BIS total capital ratio and the liquidity coverage ratio have decreased to a more conventional level, respectively 15,7% and 150%, at 31 March 2019. The NSFR at 31 March 2019 was 118%.

MBE is placing and taking funds with the European Treasury Division of the parent bank, MUFG Bank, London. MBE placed € 2.5bn (31 March 2018: € 1.9bn) with the parent bank and related parties. During the period ended 31 March 2019 our LCR remained at an average level of 181%, as a result of our strong liquidity position and our credit risk policy. The ratios comply with the external required liquidity ratios.

Proposed profit appropriation

As there is no net profit for the period ended 31 March 2019 and the loss will impact the capital ratios, there is no proposed dividend payment for this period.

Outlook

MBE is currently facing challenges from external factors, such as a competitive environment, negative interest rates, and regulatory changes. MBE's three year medium business plan FY2018 – FY2020 focusses on continuing to provide a high service level to our customers and improving MBE's position in the market in order to increase revenues and results, and projects growth in number of employees. Furthermore, no changes are expected in funding for the years ahead. Although the Management Board expects pressure on the financial results for the upcoming period, it is not expected that additional funding will be required from the sole shareholder of the bank. The bank was incorporated with the objective of performing banking activities and therefore did not engage in any research and development activities during 2018 and 2019. The Management Board doesn't expect research and development activities in the future. The Management Board doesn't expect any significant investments to be made in the upcoming years. We expect to maintain a stable customer base and strive to improve our financial results by integration of our activities throughout Europe.

MBE has been in discussions with DNB regarding remediation of deficiencies in its AML framework and a possible breach of the applicable large lending limits. DNB has given instructions with respect to the standards for the AML framework and work is underway to achieve these. It is currently unclear which specific consequences a possible breach of the applicable large lending limits may have. Possible measures could include a fine. It is yet unclear what the precise outcome will be, including the possible timing, scope or amounts.

Gratitude

We wish to express our sincere gratitude to our customers, employees, business partners and our parent banks, MUFG Bank and MUFG Inc., for their continuous support during the period ended 31 March 2019.

The Management Board declares to the best of its knowledge, that the annual Financial Statements provide a true and fair view of the assets and liabilities of MBE, its financial position and net profit. The Management Board also declares that to its best knowledge the Financial Statements provide a true and fair view of MBE about its position as at balance sheet date, the business performance during the year referred to in the Financial Statements and the material risks MBE is exposed to, to be duly described.

Amsterdam, 18 September 2019

H. Takase
M.F. Rosenberg
K. Kuzuhara
E. Shakhurina
M.A.B. Selles

Consolidated Financial Statements

Consolidated Statement of Financial Position

As at 31 March 2019

unless stated otherwise amounts in thousands of €s

Assets	Notes	31 March 2019 (*)	31 March 2018 (**)
Cash and balances with central banks	1	1.863.905	7.934.960
Loans and advances to banks	2	4.864.354	2.083.704
Loans and advances to customers	3	12.407.630	6.638.930
Derivatives	4	44.402	23.782
Financial Investments	5	60.439	35.612
Property and equipment	6	6.081	3.858
Intangible assets	7	15.836	7.122
Tax assets	24	57.242	16.637
Other assets	8	53.788	17.829
Total assets		**19.373.677**	**16.762.434**
Liabilities			
Due to banks	9	5.477.281	9.325.945
Due to customers	10	11.363.530	5.826.074
Derivatives	4	43.697	23.618
Tax liabilities	24	1.096	271
Subordinated debt	11	300.000	300.000
Provisions	12	35.782	6.814
Other liabilities	13	303.404	44.886
Total liabilities		**17.524.790**	**15.527.608**
Equity			
Issued capital	14	100.003	100.001
Share premium	14	1.334.304	706.696
Retained earnings	14	432.043	440.096
Revaluation reserve of financial investments	14	(2)	(1)
Foreign currency translation reserve		148	(43)
Revaluation actuarial defined benefit reserve		(7.476)	(6.342)
Result for the year		(10.163)	(5.581)
Shareholder's equity (parent)		**1.848.857**	**1.234.826**
Shareholder's equity (non-controlling interest)		**30**	**-**
Shareholder's equity		**1.848.887**	**1.234.826**
Total liabilities and equity		**19.373.677**	**16.762.434**

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to section 'Change in Accounting Policies'.

(**)During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of offices in Germany, Spain and Portugal as per 1 April 2018. As a result the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

Consolidated Statement of Profit or Loss

For the period ended 31 March 2019

unless stated otherwise amounts in thousands of €s

	Notes	31 March 2019 (*)	31 March 2018 (**)
Interest income	15	206.808	109.732
Interest expense	16	119.168	74.757
Net interest income		**87.640**	**34.975**
Fee and commission income	17	25.723	12.797
Fee and commission expense	18	16.059	10.576
Net commission income		**9.664**	**2.221**
Other operating income	19	-	611
Result on financial transactions	20	42.654	25.184
Total operating income		**139.958**	**62.991**
Personnel expenses	21	73.075	40.114
Depreciation of property and equipment	6	1.434	939
Amortisation of intangible assets	7	3.204	1.913
Other operating expenses	22	46.249	27.630
Total operating expenses		**123.962**	**70.596**
Impairment charges on financial assets	23	**(10.765)**	**696**
Impairment charges on non-financial assets		**-**	**(403)**
Profit before tax		**5.231**	**(7.312)**
Income tax (expense)	24	(15.415)	1.731
Net Result Continued Operations		**(10.184)**	**(5.581)**
Attributable to:			
Equity holders of the parent		**(10.163)**	**(5.581)**
Equity holders of the non-controlling interest		**(21)**	**-**
Earnings per share *(unit: one euro)* attributable to equity holders of the parent:			
Basic	31	(46,14)	(25,34)
Diluted	31	(46,14)	(25,34)

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to section 'Change in Accounting Policies'.

(**)During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of offices in Germany, Spain and Portugal as per 1 April 2018. As a result the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

Consolidated Statement of Comprehensive Income

For the period ended 31 March 2019

unless stated otherwise amounts in thousands of €s

	Notes	31 March 2019 (*)	31 March 2018 (**)
Result for the fiscal period		**(10.184)**	**(5.581)**
Items which will not be reclassified to the income statement			
Remeasurement of the net defined benefit asset/liability		(1.134)	19
Items which may be reclassified to the income statement in a subsequent period			
Foreign currency translation reserve		191	(141)
Net (loss)/gain on financial instruments (*)	25	(1)	(432)
Income tax relating to components of other comprehensive income	25	-	108
Other comprehensive income for the year, net of tax		**(944)**	**(446)**
Total comprehensive income, net of tax		**(11.128)**	**(6.027)**
Attributable to:			
Equity holders of the parent		**(11.107)**	**(6.027)**
Equity holders of the non-controlling interests		**(21)**	**-**

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior year amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to section ‘Change in Accounting Policies’.

(**)During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of offices in Germany, Spain and Portugal as per 1 April 2018. As a result the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

Consolidated Statement of Changes in Equity

For the period ended 31 March 2019

unless stated otherwise amounts in thousands of €s

	Issued capital	Share premium	Retained earnings incl. result for the year	Revaluation reserve of financial investments (*)	Foreign currency translation reserve	Revaluation actuarial defined benefit reserve	Total shareholder's equity (parent)	Non-controlling interests	Total Equity
At 1 January 2017	100.001	81.696	440.096	323	98	(6.361)	615.853	-	615.853
Issue of share capital	-	625.000	-	-	-	-	625.000	-	625.000
Total comprehensive income	-	-	(5.581)	(324)	-	19	(5.886)	-	(5.886)
Foreign currency translation adjustment previous years	-	-	-	-	(141)	-	(141)	-	(141)
At 31 March 2018 (**)	**100.001**	**706.696**	**434.515**	**(1)**	**(43)**	**(6.342)**	**1.234.826**	**-**	**1.234.826**
IFRS 9 transition impact	-	-	(1.199)	-	-	-	(1.199)	-	(1.199)
Expected credit loss impact due to new branches (***)	-	-	14.957	-	-	-	14.957	-	14.957
Issue of share capital	2	(2)	-	-	-	-	-	-	-
Total comprehensive income	-	-	(10.163)	(1)	-	(1.134)	(11.298)	(21)	(11.319)
Foreign currency translation adjustment	-	-	-	-	191	-	191	-	191
Share premium issuance	-	627.610	-	-	-	-	627.610	25	627.635
Unearned revenue from new branch (***)	-	-	(12.859)	-	-	-	(12.859)	-	(12.859)
Pension liability from new branch (***)	-	-	(3.371)	-	-	-	(3.371)	-	(3.371)
Other non-controlling interest due to new subsidiary	-	-	-	-	-	-	-	26	26
At 31 March 2019	**100.003**	**1.334.304**	**421.880**	**(2)**	**148**	**(7.476)**	**1.848.857**	**30**	**1.848.887**

(*) The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to section 'Change in Accounting Policies'.

(**) During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of the German, Spanish/Portuguese Branches as per 1 April 2018. As a result the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

(***) These amounts relates to the IFRS (IFRS 15, 9 & IAS 19) opening balance adjustments in of the incorporation of the German and Spanish/Portuguese branches as per 1 April 2018. Regarding the accounting standards IFRS 15 and IFRS 9 we refer to the accounting policies as set out on page 25 until page 29. For more information regarding the incorporation of the branches we refer to section 'Accounting principles for the consolidated financial statements – Incorporation of the new branches'

Consolidated Statement of Cash Flows

For the period ended 31 March 2019

unless stated otherwise amounts in thousands of €s

Operating activities		Notes	31 March 2019	31 March 2018 (**)
Result before tax			**5.231**	**(7.312)**
Adjusted for:	Depreciation	6	1.434	939
	Amortisation of intangible assets	7	3.204	1.913
	Net impairment allowances	3, 21	23.958	(696)
	Provision for early retirement Spain	12	6.440	-
	Addition due to pension liability	12	14.913	-
	Current period charge for pension liability	12	3.419	2.908
	Impairment of intangible assets	7	-	403
	Changes in deferred taxation	24	(39.780)	(3.259)
Changes in:	Other additions due to new branches/subsidiary		45.512	-
	Additional share premium (non- cash)		627.635	-
	Due from Banks, not available on demand		(480.927)	(942.084)
	Derivative financial assets		(20.620)	23.141
	Loans and advances to customers		(5.848.143)	(751.778)
	Other assets		(51.954)	(6.455)
	Due to Banks, not available on demand		(3.897.151)	6.752.378
	Due to Bank, on demand		48.487	175
	Derivative financial liabilities		20.079	(24.586)
	Due to customers		5.537.456	398.532
	Other liabilities		250.391	15.050
Income tax paid			19.365	1.245
Net cash (used in) flow from operating activities			**(3.731.051)**	**5.460.514**
Investing activities				
Purchase of property and equipment		6	(632)	(3.951)
Addition of property and equipment due to new branches		6	(3.039)	-
Proceeds from sale of property and equipment		6	13	3
Purchase of intangible assets		7	(11.668)	(5.528)
Addition of intangible assets due to new branches		7	(252)	-
Proceeds from sale of intangible assets		7	-	-
Purchase of financial investments		5	(60.440)	(35.612)
Sale and redemption of financial investments		5	35.612	251.487
Net cash flow from investing activities			**(40.406)**	**206.399**

Consolidated statements of cash flows – continued

Financing activities	Notes	31 March 2019	31 March 2018 (**)
Subordinated debt	11	-	300.000
Additional share premium (cash)	14	-	625.000
Cash flow from (used in) financing activities		**-**	**925.000**
Net cash flow		**(3.771.457)**	**6.591.913**
Net foreign exchange differences		191	(141)
Cash and cash equivalents as at 1 April 2018/1 January 2017		8.695.897	2.104.125
Cash and cash equivalents as at 31 March 2019/2018		**4.924.631**	**8.695.897**
Cash and cash equivalents comprise:			
Due from banks, net balances on demand	2	3.060.726	760.937
Cash and balances with central banks	1	1.863.905	7.934.960
Cash and cash equivalents as at 31 March 2019/2018		**4.924.631**	**8.695.897**

(**)During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of offices in Germany, Spain and Portugal as per 1 April 2018. As a result the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period.

Additional information on operational cash flow from interest and dividends	31 March 2019	31 March 2018
Interest received	196.357	109.389
Interest paid	99.528	70.087
Dividend received	-	-
Dividend paid	-	-

Accounting Policies for the Consolidated Financial Statements

1. General information

MBE is the fully-owned subsidiary of MUFG Bank, one of the world's largest banks in terms of assets with more than a century of experience in both Japan and in the international financial markets. For more than 45 years MBE has been offering commercial banking services to both Japanese and non-Japanese corporate customers in The Netherlands and, through its branches and subsidiaries, in Central and Eastern Europe. The principle activities of MBE are described in the section 'Our business model'.

MBE has its statutory seat in Amsterdam, The Netherlands. MBE's head office is located at Strawinskylaan 1887, 1077XX Amsterdam. Chamber of commerce number is 33.13.25.01.

MBE is a statutory two-tier company under Dutch law. All shares are held by MUFG Bank, Tokyo, Japan. The ultimate parent of the group is Mitsubishi UFJ Financial Group, Inc., Tokyo, Japan. MBE is incorporated and domiciled in Amsterdam, The Netherlands and operates through offices in Amsterdam, (the Netherlands), Vienna (Austria), Prague (Czech Republic), Brussels (Belgium), Warsaw (Poland), Dusseldorf (Germany), Madrid (Spain) and Lisbon (Portugal) and MBE owns three subsidiaries: MUFG Business Services (Holland) B.V. (hereinafter 'MUFG BS'), MUFG Funding (UK) Limited (hereinafter 'MUFG Funding') and MUFG Europe Lease (Deutschland) GmbH (hereinafter 'MUFG Lease').

2. Authorisation of the consolidated financial statements

These consolidated Financial Statements of MBE for the period ended 31 March 2019 have been issued by the Management Board, examined by the Supervisory Board, accompanied by the Supervisory Board's recommendation and adopted by the General Shareholders' Meeting on 18 September 2019.

3. Statement of compliance

The consolidated Financial Statements of MBE have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

4. Basis of preparation of the consolidated Financial Statements

The consolidated Financial Statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss ('FVTPL'), debt and equity at other comprehensive income ('FVOCI') and derivative financial instruments, which have all been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated Financial Statements are presented in Euros (€) and all values are rounded to the nearest € thousands, except when otherwise indicated.

During the period ended 31 March 2018 MBE extended its financial year to align its fiscal year with its parent company (MUFG Bank), which assisted with the integration of offices in Germany, Spain and Portugal offices. As a result, the figures for the 12 month period ended 31 March 2019, are not entirely comparable to the amounts of the 15 months previous reporting period. MBE presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Notes to the consolidated Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of MBE.

5. Changes in accounting policies and disclosures

New and amended standards and interpretations to IFRS adopted per 1 April 2018

MBE has applied the following new or amended standards as endorsed by the EU which are effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on MBE's consolidated Financial Statements. MBE has not adopted early any other standard, interpretations or amendments that has been issued but is not yet effective.

5. Changes in accounting policies and disclosures (continued)

IFRS 9 "Financial Instruments"

IFRS 9 has replaced IAS 39 Financial instruments for annual reports on or after 1 January 2018 with early application permitted. IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities. IFRS 9 brings together all three aspects of the accounting for financial instruments: 1) classification and measurement, 2) impairment and 3) hedge accounting. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. MBE adopted IFRS 9 Financial Instruments at 1 April 2018 due to the fiscal year end change. The comparative figures have not been restated in line with the transitional provisions of the standard.

1) Changes to classification and measurement

The classification and measurement of financial assets under IFRS 9 is determined by the Business Models in which the assets are held and whether the contractual cash flows are solely payments of principle and interest (SPPI). Under IFRS 9 financial assets can be measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). These categories have replaced IAS 39 classifications loans and receivables, available for sale and held to maturity. The Business Models in which a financial asset is held is determined on a portfolio level. Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. Financial assets can only be classified at amortised cost or FVTOCI when contractual cash flows are SPPI. Bifurcation of embedded derivatives from a financial asset is not allowed.

MBE grouped its financial instruments in portfolios according to product characteristics as recorded in our source system by the responsible departments for the products. The responsible departments were requested to fill out questionnaires to determine which business model applies to the portfolios after which the business models were described and agreed. MBE's analysis of business models and contractual cash flow of financial assets has not resulted in a change in measurement of these assets as at 1 April 2018.

2) Changes to the impairment calculation

The recognition and measurement of impairment under IFRS 9 is based on an internal expected credit loss (ECL) model. The ECL model applies to financial assets recognised at amortised cost or fair value through other comprehensive income (FVOCI), such as loans, receivables and bonds. The ECL provision amount is calculated as an accumulative of future monthly ECLs using the exposure at default, probability of default and loss given default curves. The probability of default and loss given default models have been developed using own historical data over the full economic cycle. The ECL model estimates future losses using the 'true and fair' concept required under IFRS 9. Transition between IFRS 9 stages depends on the current internal rating and the rating at initial recognition. A financial asset can move between stages during its lifetime.

The ECL model classifies these financial assets in the following stages:

- Stage 1: Performing assets – 12-month ECL

  Financial instruments that are not "close monitoring" and have not experienced significant increase in credit risk since initial recognition. Provision is determined based on probability of default event occurring within the next 12 months ('12-month ECL').
- Stage 2: Under-performing assets – Lifetime ECL

  Financial instruments that are "close monitoring'' or where a significant increase in credit risk has been identified but it is not in default. Provision is determined based on probability of default event over the expected life of the financial instrument ('Lifetime ECL'). A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk (SICR) since initial recognition. MBE established an ECL model based on the internal credit rating of the customer. An assets can move back from Stage 2 to Stage 1 when the level of credit risk improves. The change in internal credit rating since origination is the main trigger for movement between Stage 1 and Stage 2.
- Stage 3: Non-performing assets – Lifetime ECL

  Financial instruments are classified as Stage 3 where a default has been identified. The definition of default is aligned with the EBA definition within the context of risk management. Stage 3 provisions are determined based on a Lifetime ECL using a Discounted Cash Flow (DCF) method. MBE uses the definition for defaulted financial assets which is used for internal risk management purposes and has aligned the definition of credit impaired under IFRS 9 (Stage 3) with the definition of default for prudential purposes. The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due. A default occurs when the borrower is more than 90 days past due on any material obligation to MBE, and/or MBE considers the borrower unlikely to make its payments in full without recourse action on MBE's part, such as taking formal possession of any collateral held.

5. Changes in accounting policies and disclosures (continued)

3) Hedge accounting

IFRS 9 introduces new rules for hedge accounting model. The hedge accounting model is more closely aligned with risk management practices, reducing the necessity for quantitative effectiveness testing, and removing rules for voluntary designation and de-designation outside of documented risk management activity. IFRS 9 includes an option for reporting entities to defer adoption of the hedge accounting guidance and to retain the hedge accounting guidance within IAS 39. MBE has chosen to use this option and will continue to use the IAS 39 model for hedge accounting purposes. This accounting policy choice will be reviewed in future periods to determine the benefits of transitioning to the new IFRS 9 model. It is expected that this policy choice will be removed when the standard governing macro hedge accounting is issued.

4) Transition to IFRS 9

The following tables reconciles the carrying amounts of financial instruments under IAS 39 on the closing balance (31 March 2018) to the carrying amounts under IFRS 9 at opening balance date (1 April 2018).

	Classification		Measurement		
	31 March 2018 (IAS 39)	1 April 2018 (IFRS 9)	31 March 2018 (IAS 39)	IFRS 9 ECL effect	1 April 2018 (IFRS 9)
Assets					
Cash and balances with central banks	Amortised cost	Amortised cost	7.934.960	-	7.934.960
Loan and advances to banks	Amortised cost	Amortised cost	2.083.704	(18)	2.083.686
Stage 1			-	*(18)*	*(18)*
Loans and advances to customers	Amortised cost	Amortised cost	6.638.930	(688)	6.638.242
Incurred loss			*(2.285)*	*2.285*	-
Stage 1			-	*(928)*	*(928)*
Stage 2			-	*(2.045)*	*(2.045)*
Derivatives	FVTPL	FVTPL	23.782	-	23.782
Financial investments	AFS	FVOCI	35.612	-	35.612
Property and equipment			3.858	-	3.858
Intangible assets			7.122	-	7.122
Tax assets			16.637	-	16.637
Other assets			17.829	-	17.829
Total assets			**16.762.434**	**(706)**	**16.761.728**
Liabilities					
Due to banks	Amortised cost	Amortised cost	9.325.945	-	9.325.945
Due to customers	Amortised cost	Amortised cost	5.826.074	-	5.826.074
Derivatives	FVTPL	FVTPL	23.618	-	23.618
Tax liabilities			271	-	271
Provisions			6.814	493	7.307
Stage 1			-	*183*	*183*
Stage 2			-	*247*	*247*
Stage 3				*63*	*63*
Other liabilities			44.886	-	44.886
Subordinated debt	Amortised cost	Amortised cost	300.000	-	300.000
Total liabilities			**15.527.608**	**493**	**15.528.101**

5. Changes in accounting policies and disclosures (continued)

	Classification		Measurement		
	31 March 2018 (IAS 39)	1 April 2018 (IFRS 9)	31 March 2018 (IAS 39)	IFRS 9 ECL effect	1 April 2018 (IFRS 9)
Issued capital			100.001	-	100.001
Share premium			706.696	-	706.696
Retained earnings			440.096	(1.199)	438.897
Revaluation reserve of financial investments			(1)	-	(1)
Revaluation actuarial			(6.342)	-	(6.342)
Foreign currency translation reserve			(43)	-	(43)
Result for the year			(5.581)	-	(5.581)
Shareholder's equity			**1.234.826**	**(1.199)**	**1.233.627**
Total liabilities and equity			**16.762.434**	**(706)**	**16.761.728**

The following table reconciles the impairment allowance under IAS 39 as per 31 March 2018 to the expected credit loss provision under IFRS 9 as per 1 April 2018.

Reconciliation of impairment allowance – before impact of new branches	31 March 2018 (IAS 39)	1 April 2018 (IFRS 9)
Loan and advances to banks	**-**	**(18)**
Stage 1	-	*(18)*
Loans and advances to customers	**(2.285)**	**(2.973)**
Incurred losses	*(2.285)*	-
Stage 1	-	*(928)*
Stage 2	-	*(2.045)*
Letters of credit	**-**	**-**
Stage 1	-	-
Financial guarantees	**-**	***(304)***
Stage 1	-	(124)
Stage 2	-	*(117)*
Stage 3	-	*(63)*
Undrawn commitments to lend	**-**	**(189)**
Stage 1	-	*(59)*
Stage 2	-	*(130)*
Total impairment allowance on financial instruments	**(2.285)**	**(3.484)**

5. Changes in accounting policies and disclosures (continued)

The table below shows the IFRS 9 impairment charges on acquiring Germany and the Spanish/Portuguese assets. Please refer to Note 3 to the consolidated Financial Statements for more details on the expected credit loss movements.

Addition of the new branches	1 April 2018 (IFRS 9)
Loan and advances to banks	**(43)**
Stage 1	*(40)*
Stage 2	*(3)*
Loans and advances to customers	**(54.128)**
Stage 1	*(776)*
Stage 2	*(2.295)*
Stage 3	*(51.057)*
Financial guarantees	**(3.101)**
Stage 1	*(259)*
Stage 2	*(1.307)*
Stage 3	*(1.535)*
Undrawn commitments to lend	**(336)**
Stage 1	*(277)*
Stage 2	*(59)*
Total ECL	**(57.608)**

IFRS 7 Financial Instruments: disclosures

In order to reflect the changes between IFRS 9 and IAS 39, IFRS 7 *Financial Instruments: Disclosures* was updated and MBE has adopted it as per 1 April 2018.

IFRS 15 revenue from contracts with customers

IFRS 15 introduces a five-step approach for recognising revenue as and when the agreed performance obligations are satisfied. Revenue should either be satisfied at a point-in-time or over-time depending on the service being delivered to the customer. MBE offers various services that are within the scope of IFRS 15. Examples of those services are:

- Commission on funds transfer and letter of credit
- Brokerage and advisory fees
- Commission on corporate management services

The majority of the customer contracts has a short performance period and the revenues are recognised at the moment of settlement of the transactions. Based on a review of the revenue streams per product type, MBE concluded that the adoption of IFRS 15 has no impact on its fee and commission income from contracts and therefore comparative figures have not been restated. MBE adopted IFRS 15 by using the Modified Retrospective Method of adoption: Retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application. The impact of IFRS 15 is limited to the new disclosure requirements.

Standards issued but not yet effective

Below are described the new standards and interpretations that are issued and effective for periods beginning on or after 1 January 2019, which were not early adopted by MBE:

- IFRS 16 Leases.
- IFRS 17 Insurance contracts.
- IFRIC 23 Uncertainty over Income Tax treatments.
- Amendments to IAS 12 income taxes.
- Amendments to IAS 28: Long term interests in associates and joint ventures.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- Amendments to IAS 19: Plan Amendment Curtailment or Settlement.

5. Changes in accounting policies and disclosures (continued)

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 3 Business Combinations.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation.
- Amendments to IAS 1 and IAS 8: Definition of Material.

The changes that are most relevant and may have material impact are described below:

IFRS 16 Leases

The new standard on Leases was issued by the IASB in January 2016, with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between “operating” and “finance” lease for lessees. The introduction of IFRS 16 will result in an increase in assets and liabilities on the statement of financial position.

The main impact of IFRS on MBE’s Financial Statements is expected to arise from leases of office buildings and cars which MBE leases for its own use as lessee. The impact of IFRS 16 for MUFG Lease will be minimal as this new accounting treatment will not much affect the lessors. MBE will apply IFRS 16 as of 1 April 2019 using the modified retrospective approach with several practical expedients. The introduction of IFRS 16 is estimated to result in an increase in assets and liabilities of approximately € 15.8 million. The expected impact on equity is not significant.

Amendments to IAS 12 Income taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. These amendments are applicable for annual reporting periods beginning after 1 January 2019 with the amendments being applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The clarification is in line with how MBE currently recognises the income tax consequences of dividends and, therefore, expects no impact on its Financial Statements when this amendment becomes effective.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

This interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes outside the scope of IAS 12. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. MBE is currently assessing the impact.

6. Accounting principles for the consolidated Financial Statement

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to MBE and deconsolidated from the date control ceases. Control is achieved when MBE is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated Financial Statements for the period ended 31 March 2019 comprise the Financial Statements of MBE and the subsidiaries in the following table.

Name of the subsidiary	Country of incorporation	Place	% equity interest 31 March 2019	% equity interest 31 March 2018
MUFG Business Services (Holland) B.V.	The Netherlands	Amsterdam	100	100
MUFG Europe Lease (Deutschland) GmbH	Germany	Dusseldorf	95	-
MUFG Funding (UK) Limited	United Kingdom	London	100	100

The Financial Statements of MBE’s subsidiaries are prepared for the same reporting period as MBE, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

6. Accounting principles for the consolidated Financial Statement (continued)

Incorporation of the new branches

As per 1 April 2018 the German and Spanish/Portuguese branches were incorporated in MBE. The incorporation is a transaction under common control, therefore pooling accounting is used, meaning that the transfer of assets and liabilities are at book value. In accordance with the pooling of interest method, assets and liabilities of the acquired branches are consolidated into the financial information of the group at their carrying amounts at transaction date (1 April 2018).

The following assets and liabilities where incorporated (the table below presents the carrying amounts of assets and liabilities on 1 April 2018):

	Germany (*)	Spain	Total
Assets	7.347.323	4.643.788	11.991.111
Liabilities	6.914.953	4.448.548	11.363.501
Branch equity	432.370	195.240	627.610
Share capital			2
Share premium			627.608

(*) Includes MUFG Europe Lease (Deutchland) GmbH assets (EUR 996K)

The Company applies “predecessor accounting” to business combinations under common control, including group restructurings. Under the predecessor accounting, the assets and liabilities of the transferred entity are stated at predecessor values, without re-measurement at fair value. No goodwill is recognised, and any difference between the consideration given and the aggregate carrying value of the assets and liabilities transferred is included in equity in a separate reserve.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, unless otherwise indicated.

Functional and reporting currency

The consolidated Financial Statements are presented in Euros (€). Each entity in the group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency at the spot rate of exchange at the date of statement of financial position. All differences arising on non-trading activities are taken to the ‘Results on financial transactions’. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Group companies

As at the reporting date, the assets and liabilities of subsidiaries and foreign branches are translated into MBE’s presentation currency at the rate of exchange as at the date of the statement of financial position. Results of the foreign branches and subsidiaries are translated at the weighted average rates over the period in which the results are recognised.

Our branch in the Czech Republic uses the Czech Koruna (CZK) as functional currency. Our Polish branch uses Polish Zloty (PLN) as functional currency. Our subsidiary MUFG Funding uses Pound Sterling (GBP) as functional currency. Translation differences of subsidiaries are accounted for under ‘foreign currency translation reserve’ in other comprehensive income.

Going concern

MBE’s management has made an assessment of MBE’s ability to continue as a going concern and is satisfied that MBE has –if and when required- access to enough resources to continue in business for the foreseeable future. Despite the losses for the period ended 31 March 2019 the management is not aware of any material uncertainties that may cast significant doubt upon MBE’s ability to continue as a going concern. Furthermore, a letter of intention is issued by MUFG Bank stating that support will be provided to MBE in order to comply with its regulatory capital requirements and other requirements imposed by DNB now and in the future. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Significant accounting assumptions, judgements and estimates

In the process of applying MBE's accounting policies, management has exercised assumptions, judgements and estimates in determining the amounts recognised in the Financial Statements. Existing circumstances and assumptions about future developments may change due to circumstances beyond MBE’s control and are reflected in the assumptions if and when they occur. The most significant uses of judgement and estimates are as follows:

6. Accounting principles for the consolidated Financial Statement (continued)

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a valuation technique that includes the use of mathematical models. The inputs to these models are derived from observable market data. The valuation of financial instruments is described in more detail in the Notes to the consolidated Financial Statements.

Impairment losses on financial assets (Policy applicable as of 1 April 2018)

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors and changes, in which can result, in different levels of allowances.

MBE's expected credit loss ('ECL') calculations are outputs of models based on certain assumptions. Elements of the ECL models that are considered accounting judgements and estimates include:

- MBE's internal credit grading model, which assigns credit grades to the customers.
- MBE's criteria for assessing if there has been a significant increase in credit risk.
- The ECL models, including the various formulas and the choice of inputs.
- The associations between macroeconomic scenarios on GDP and the effect on Probability Default, Exposure at Default and Loss Given Defaults.
- The selected forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

MBE annually reviews its models in the context of actual loss experience and adjusts these when necessary.

Classification of financial instruments

Certain judgements, assumptions and estimates are exercised in determining the business model of MBE and assessing the criteria of 'Solely Payment of Principle and Interest' ('SPPI').

Net defined benefit pension asset/liability

The net defined benefit pension asset/liability represents the difference between the fair value of the plan asset and the present value of the defined benefit obligation at the reporting date.

In determining the present value of defined benefit obligation, MBE applies actuarial valuation techniques using the projected unit credit method. This method requires making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and are sensitive to changes in assumptions used. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds denominated in EUR with at least an 'AA' rating, set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country. Future salary increases and pension increases are based on expected future inflation rates for the country. See Note 12 to the consolidated Financial Statements for the assumptions used.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

Revenue recognition from contracts with customers

MBE makes judgements in the determination of the timing of satisfaction of performance obligations and the transaction price. MBE recognises revenue from contracts with customers in the amount of consideration it expects to receive upon the transfer of control of a good or service. The timing of recognition is dependent on whether MBE satisfies a performance obligation by transferring control of the product or service to a customer over time or at a point in time. The following is an explanation of MBE's key revenue from contracts with customers and the timing of its recognition.

Fees and commissions on fund transfer and letter of credit consist of fees and commissions charged for settlement transactions, fund collection and trade-related financing services related to foreign trading business, and are recognised in the period in which the related service is provided. If they arise from settlement transactions or foreign trading business activities under which the customer consumes the related services at a point in time, such fees are recognised at the same point in time. If they arise from letter of credit under which the customer consumes the related services equally over the period of service, such fees are recognised over the same period.

6. Accounting principles for the consolidated Financial Statement (continued)

Commission on guarantees relates to the guarantee business such as providing guarantees on other loans, and are recognised over the contractual periods of the respective guarantees.

Brokerage and advisory fees consist of fees and commissions for sales and transfers of securities, including investment funds, underwriting, brokerage and advisory services, securitization arrangement services, and agency services for the calculation and payment of dividends. Brokerage and advisory fees are recognised in the period in which the related service is provided. If they arise from security-related services under which the customer consumes the related services at a point in time (e.g. sales and transfers of securities are executed at the customer's direction; underwritings of debt and equity securities or securitizations are completed at the trade date; advice is provided to the clients; and dividends are calculated and then paid to investors), such fees are recognised at the same point in time. If they arise from security-related services under which the customer consumes the related services equally over the period of service, such fees are recognised over the same period. The advisory fees which are paid upon meeting certain performance goals are recognised at the point in time when the performance goals are met.

Commission on corporate management services primarily consist of fees and commissions earned on behalf of clients. Such fees and commissions are recognised equally over the period of service at the amount calculated primarily based on the outstanding amount of each entrusted asset, the percentage of fees, and the extent of the service provided to administer the investment funds. Other fees and commissions include various fees and commissions earned on services to customers which have performance obligations that MBE completes in order to recognise revenue.

Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, unless otherwise indicated.

(I) Financial instruments – initial recognition and subsequent measurement

Date of recognition

All financial assets and liabilities, except nostro accounts, are initially recognised on the trade date, i.e., the date that MBE becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. For nostro accounts, settlement date accounting is applied.

Classification and measurement of financial assets

Prior to 1 April 2018, the classification of financial assets at initial recognition depended on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments were measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

As of 1 April 2018, the classification of financial assets depend on the business model of the portfolio in which they are held. Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. MBE determines its business model of the portfolio taking into consideration:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from its original expectations, MBE does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Measurement of debt instruments depend on the Business Model of the portfolio in which the assets are held and whether the contractual cash flows of the financial instrument are solely payments of principle and interest (SPPI) at initial recognition.

After the business model of the financial assets have been determined the contractual cash flows of debt instruments are assessed to identify whether they meet the SPPI test. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk and cost.

6. Accounting principles for the consolidated Financial Statement (continued)

Based on these Business model and the SPPI assessment the following assessment categories are identified:
Amortised cost: Debt instruments that are held for collection of contractual cash flows under a 'hold to collect' business model where those cash flows represent SPPI are measured at amortised cost. Amortised cost is determined using the effective interest rate less any impairment. The effective interest takes into account discount or premium on acquisition and fees and costs that are an integral part of the interest rate. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for selling the financial assets under a 'hold to collect and sell' business model, where the assets' cash flows represent SPPI, and the Fair value option was not elected are measured at FVOCI. FVOCI is the Fair value less any impairment. Unrealised changes in Fair value are recognised in other comprehensive income. Interest income using the effective interest rate, impairment gains or losses and foreign exchange gains and losses are recognised in profit and loss.
- FVTPL: Other Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. These include financial asset held for trading and derivatives. Changes in Fair value are directly recognised in the statement of profit or loss.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of deducting the carrying amount of the asset. Impairment gains and losses are recorded in the statement of profit or loss on the line impairment losses on financial assets.

Derivatives are measured at fair value through profit or loss, irrespective of the business model of the portfolio.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the statement of profit or loss.

Financial assets - due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers', are measured at amortised cost if both of the following conditions are met:

- The financial assets is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Classification of Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

(II) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised to the extent of MBE's continuing involvement in the asset when:

- The rights to receive cash flows from the asset have expired; or
- MBE has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- MBE has transferred substantially all the risks and rewards of the asset, or
- MBE has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When MBE recognises a financial asset to an extent, an associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that MBE has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that MBE could be required to repay.

Any gain or loss arising on derecognition of financial assets at amortised cost or FVTPL is recognised directly in profit or loss. When a financial asset at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income.

6. Accounting principles for the consolidated Financial Statement (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(III) Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques. These valuation techniques include the discounted cash flow method by making use of market observable data.

An analysis of fair values of financial instruments and further details as to how they are measured or at which level they are provided in the Notes to the consolidated Financial Statements and MBE evaluates them at each reporting date.

(IV) Impairment of financial assets

MBE records expected credit loss provisions (‘ECL’) for financial assets measured at amortised cost or FVOCI all Debt instruments which are assets and Off-balance commitments and financial guarantees. The ECL is calculated using Expected Credit Loss Models.

MBE calculates ECL based on different scenarios to measure the expected cash shortfalls which is the difference between the cash flows that are due to MBE in accordance with the contract and the cash flows that MBE actually expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default (‘PD’)

  It is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default (‘EAD’)

  It is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss Given Default (‘LGD’)

  It is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan.

Macroeconomic scenarios

MBE has established a semi-annual process whereby forward-looking macroeconomics scenarios and probability weightings are developed for ECL calculation purposes. MBE applies data from its parent company enriched with the internal views. A baseline, up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted ECL amount. As a baseline scenario, MBE applies the market neutral view combining consensus forecasts for economic variables (e.g. GDP growth). Applying market consensus in the baseline scenario ensures unbiased estimates of the expected credit losses.

The alternative scenarios are based on observed events in the past. The probabilities assigned are based on the likelihoods of observing the three scenarios and are derived from confidence intervals on a probability distribution. The scenarios are adjusted on a quarterly basis.

The ECL model is subject to regular validation and back-testing to ensure the ECLs are in-line with observed actual losses. The ECL models classify these financial assets in the following stages:

- Stage 1: Performing assets – 12-month ECL

  Financial instruments that are not “close monitoring” and have not experienced significant increase in credit risk since initial recognition. Provision is determined based on probability of default event occurring within the next 12 months (’12-month ECL’).
- Stage 2: Under-performing assets – Lifetime ECL

  Financial instruments that are “close monitoring’’ or where a significant increase in credit risk has been identified but it is not in default. Provision is determined based on probability of default event over the expected life of the financial instrument (‘Lifetime ECL’). A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk (SICR) since initial recognition. MBE established an ECL model based on the internal credit rating of the customer.

  An asset can move back from Stage 2 to Stage 1 when the level of credit risk improves. The change in internal credit rating since origination is the main trigger for movement between Stage 1 and Stage 2.

6. Accounting principles for the consolidated Financial Statement (continued)

- Stage 3: Non-performing assets – Lifetime ECL

  Financial instruments are classified as Stage 3 where a default has been identified. The definition of default is aligned with the EBA definition within the context of risk management. Stage 3 provisions are determined based on a Lifetime ECL using a Discounted Cash Flow (DCF) method. MBE uses the definition for defaulted financial assets which is used for internal risk management purposes and has aligned the definition of credit impaired under IFRS 9 (Stage 3) with the definition of default for prudential purposes. The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due. A default occurs when the borrower is more than 90 days past due on any material obligation to MBE, and/or MBE considers the borrower unlikely to make its payments in full without recourse action on MBE's part, such as taking formal possession of any collateral held.

Definition of default

Defaults related to all borrowers and facilities transition to Stage 3 when they meet the default definition according to the current Basel definition of default per CRR Art. 178:

- Unlikely to pay its credit obligations to MBE or any of its subsidiaries in full, without recourse by the institution to actions such as realising security.
- The borrower is past due more than 90 days past due on any material credit obligation to MBE.

POCI assets

Purchased or Originated Credit-Impaired POCI assets are financial assets that are credit-impaired on initial recognition. Impairment on a POCI asset is determined based on lifetime ECL from initial recognition. POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods any changes to the estimated lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain even if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

Write-off and debt forgiveness

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Write-offs are made:

- After a restructuring has been completed and there is no reasonable expectations of recovering the remaining loan exposure (including partial debt waivers) in its entirety or a portion thereof.
- In a bankruptcy liquidation scenario (not as a result of a reorganisation).
- When there is no reasonable expectations of recovering of the remaining loan exposure or certainty that no recovery can be realised.
- After a sale of a credit facility at a discount in relation to bad debt collection efforts.
- Upon conversion of a credit facility into equity as forbearance measurement and part of debt forgiveness; and
- When MBE releases a legal (monetary) claim it has on its customer.

(V) Hedge accounting

In order to manage particular risks, MBE applies hedge accounting for transactions which meet the specified criteria. At inception of the hedge relationship, MBE formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the statement of profit or loss under interest (interest rate swap). Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss for highly effective hedges.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

6. Accounting principles for the consolidated Financial Statement (continued)

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of changes in the fair value of derivatives are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are recycled to the statement of profit or loss in the periods in which the hedged item affects net result. If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated result that was included in the cash flow hedge reserve fully remains in the cash flow hedge reserve in other comprehensive income (hereinafter ''OCI') until the expected transaction occurs. When a forecast transaction is no longer expected to occur, the accumulated result reported in OCI is directly recycled to the statement of profit or loss.

(VI) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not the case with pooling agreements as used by MBE, the related assets and liabilities are presented gross in the statement of financial position.

(VII) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to MBE and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

MBE recognises revenue from contracts with customers in the amount of consideration it expects to receive upon the transfer of control of a good or service. The timing of recognition is dependent on whether MBE satisfies a performance obligation by transferring control of the product or service to a customer over time or at a point in time.

The following is an explanation of MBE's key revenue from contracts with customers and the timing of its recognition.

Fees and commissions on fund transfer and letter of credit consist of fees and commissions charged for settlement transactions, fund collection and trade-related financing services related to foreign trading business, and are recognised in the period in which the related service is provided. If they arise from settlement transactions or foreign trading business activities under which the customer consumes the related services at a point in time, such fees are recognised at the same point in time. If they arise from letter of credit under which the customer consumes the related services equally over the period of service, such fees are recognised over the same period.

Commission on guarantees related to the guarantee business such as providing guarantees on loans and other loans are recognised over the contractual periods of the respective guarantees.

Brokerage and advisory fees consist of fees and commissions for sales and transfers of securities, including investment funds, underwriting, brokerage and advisory services, securitization arrangement services, and agency services for the calculation and payment of dividends. Brokerage and advisory fees are recognized in the period in which the related service is provided. If they arise from security-related services under which the customer consumes the related services at a point in time (e.g. sales and transfers of securities are executed at the customer's direction; underwritings of debt and equity securities or securitizations are completed at the trade date; advice is provided to the clients; and dividends are calculated and then paid to investors), such fees are recognized at the same point in time. If they arise from security-related services under which the customer consumes the related services equally over the period of service (e.g. retainer fees on M&A advisory fees), such fees are recognized over the same period. The advisory fees which are paid upon meeting certain performance goals (e.g. success fees on M&A advisory fees) are recognized at the point in time when the performance goals are met.

Commission on corporate management services primarily consist of fees and commissions earned on managing investment funds on behalf of clients. Such fees and commissions are recognized equally over the period of service at the amount calculated primarily based on the outstanding amount of each entrusted asset, the percentage of fees, and the extent of the service provided to administer the investment funds.

6. Accounting principles for the consolidated Financial Statement (continued)

Other fees and commissions include various fees and commissions earned on services to customers which have performance obligations that MBE completes in order to recognise revenue.

(VIII) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand and non-restricted current accounts with central banks. Cash and cash equivalents are carried at amortised costs in the statement of financial position.

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year, and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, investment and financing activities. Movements in loans and receivables and deposits are included in cash flows from operating activities. Investment activities comprise sales and redemptions in respect of financial investments, property and equipment and intangible assets. The issuing of shares, dividends and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences and the effects of the consolidation of business acquisitions, where of material significance, are eliminated from the cash flow figures.

(IX) Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Operations Equipment 3-5 years
- Leasehold improvements 2-16 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in ‘Other operating income' in the statement of profit or loss in the year the asset is derecognised.

(X) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to MBE. MBE’s other intangible asset includes computer software licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each fiscal year-end. The amortisation expense on intangible assets is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to their residual values over their estimated useful lives, being 1-3 years.

(XI) Impairment of non-financial assets

MBE assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, MBE estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model (e.g. market approach in accordance with IFRS 13.62) is used.

(XII) Impairment of non-financial assets

In the ordinary course of business, MBE issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the Financial Statements (within ‘Other liabilities’) at fair value, being the premium received. Subsequent to initial recognition, MBE’s liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the statement of profit or loss, and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss in ‘Credit loss expense’. The premium received is recognised in the statement of profit or loss in ‘Net commission income’ on a straight line basis over the life of the guarantee.

6. Accounting principles for the consolidated Financial Statement (continued)

(XIII) Pension benefits plan

A defined benefit plan is a pension or early retirement plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year. Pension benefit plans are implemented in The Netherlands and Germany.

Pension plan The Netherlands

The defined benefit pension plan in the Netherlands is funded through an insurance company, regulated by the Dutch law. The net defined benefit pension asset/liability represents the difference between the fair value of the plan asset and the present value of the defined benefit obligation at the reporting date.

The return on plan assets is measured using the interest rates of corporate bonds denominated in EUR with at least an 'AA' rating, the same one which is used to discount the defined benefit obligation. The current and past service costs as well as interest expense attributable to the defined benefit obligation are recognised as personnel expenses in the statement of profit or loss. Changes due to re-measurement of plan assets and defined benefit obligation (actuarial gains and losses) are accounted for in 'Other comprehensive income' and not recycled through the statement of profit or loss. Upon occurrence, any gains and losses on curtailments are recognised in the statement of profit or loss.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of any asset is restricted to the sum of any actuarial losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Pension plan Germany

The pension obligations of MBE Germany Branch comprise the pension obligations of MBE Germany Branch as well as the pension obligations towards company pensions (Betriebsrentner) and former employees with accrued non-forfeitable pension rights pertaining (Arbeitnehmer mit unverfallbaren Rentenanwartschaften) to former German Branches of The Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU).

By way of cumulative assumption of liability (Schuldbeitritt) MBE assumes liability for the performance of all obligations of the BTMU arising under or relating to these pension obligations. According to German law MBE and BTMU are jointly and severally liable by virtue of the cumulative assumption of liability. Furthermore BTMU and MBE have agreed that MBE alone shall be responsible for the performance of these pension obligations towards pension beneficiaries. MBE shall fulfil any obligations arising from or in relation to these pension obligations in due time as they fall due, keeping BTMU fully harmless from and indemnified against any pension benefit obligations towards the beneficiaries of these obligations.

(XIV) Provisions

Provisions other than credit provisions are recognised when MBE has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

(XV) Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

Deferred tax

Deferred tax is calculated based on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at statement of financial position date. Current tax and deferred tax relating to items recognised in other comprehensive income are also recognised in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(XVI) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by MBE's shareholder. Dividends for the year that are approved after the balance sheet date are disclosed as an event after statement of financial position date.

(XVII) Equity reserves

The reserves recorded in equity on MBE's statement of financial position include:

- Revaluation reserve of financial investments; which comprises changes in fair value of financial investments.
- Foreign currency translation reserve; which comprises changes in the Euro equivalents of different presentation currencies of branches and subsidiaries.
- Revaluation actuarial defined benefit reserve; which comprises the actuarial gains and losses of the defined benefit obligations of the Netherlands and Germany.

7. Financial assets accounting policy applicable before 1 April 2018

Impairment losses on financial assets

Impairments on loans and advances

MBE reviewed its individually significant loans and advances at each date of the statement of financial position to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, judgement by management was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, MBE made judgements about the borrower's financial situation and the net realisable value of collateral. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances are assessed individually, to determine whether provision should be made due to incurred loss events for which there's objective evidence but whose effects are not yet evident. The collective assessment took account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data such as industry data, and country risks. The impairment loss on loans and advances is disclosed in more detail in the Notes to the consolidated Financial Statements.

Loans together with the associated allowance were written off when there is no realistic prospect of future recovery and all collateral has been realised or had been transferred to MBE. If a future write-off was later recovered, the recovery is credited to 'Credit loss expense'.

Impairment of available-for-sale investments

MBE reviewed its debt securities classified as available-for-sale investments at each date of statement of financial position to assess whether they are impaired. This assessment included evaluation of quantitative and qualitative considerations, such as actual and estimated incurred credit losses indicated by default on payment, market data and other current evidence that the issuer might be unlikely to meet its contractual obligations when they became due.

Classification and measurement of financial assets

MBE subsequently measured the amounts 'Loans and advances to banks' and 'Loans and advances to customers' at amortised cost using the effective interest rate method, less allowance for impairment in line with IAS 39.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation was included in 'Interest income'. The losses arising from impairment were recognised in the statement of profit or loss in 'Credit loss expense'.

MBE classified its debt securities in the comparative consolidated Financial Statements as 'available-for-sale' ('AFS') investments in line with IAS 39. Debt securities in this category were those which were intended to be held for an indefinite period of time and which might be sold in response to needs for liquidity or in response to changes in the market conditions. MBE did not designate any loans or receivables as AFS. After initial measurement, AFS investments were subsequently measured at fair value based on the quoted market prices.

Unrealised gains and losses were recognised directly in 'Other comprehensive income' in the 'Available-for-sale reserve'. When the investment was disposed of, the cumulative gain or loss previously recognised in 'Other comprehensive income' was recognised in the statement of profit or loss in 'Other operating income'. Where MBE held more than one investment in the same security they were deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments was reported as interest income using the effective interest rate method. The losses arising from impairment of such investments were recognised in the statement of profit or loss in 'Impairment losses on financial assets' and removed from the 'Available-for-sale reserve'.

MBE assessed at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was deemed to be impaired if, and only if, there was objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated.

7. Financial assets accounting policy applicable before 1 April 2018 (continued)

Evidence of impairment might include indications that the borrower or a group of borrowers was experiencing significant financial difficulty, the probability that they would enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicated that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), MBE first assessed individually whether objective evidence of impairment existed. If MBE determined that no objective evidence of impairment existed for an individually assessed financial asset, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was, or continued to be, recognised were not included in a collective assessment of impairment.

If there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset carrying amount and the present value of estimated future cash flows. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in the statement of profit or loss. Interest continued to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account.

Loans together with the associated allowance were written off when there is no realistic prospect of future recovery and all collateral had been realised or has been transferred to MBE. If a future write-off was later recovered, the recovery was credited to the ’Credit loss expense’.

The present value of the estimated future cash flows was discounted at the financial asset’s original effective interest rate. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflected the cash flows that might result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure was probable.

A collective evaluation of impairment was estimated for groups of loans that could not be attributed to specific loans. Loans were grouped on the basis of MBE’s internal credit rating system that considered credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors. In determining the collective impairment MBE relied on statistical analysis that included historical loss factor percentages of the total loans outstanding. An allowance account was used to reflect all changes in collective impairment. Carrying amounts of loans, and related changes in allowances, were only reduced in case of final settlement or bankruptcy. The estimation of the collective allowance was back tested and updated by MBE by comparing the historic allowances with actual results. The percentages of impairment allowance per group of loans with similar credit risks were updated on a semi-annually basis. These updated assessments adjusted for the effects of most recent conditions and removed the effects of conditions in the historical period that do not exist currently.

Renegotiated loans

Where possible, MBE seeks to restructure loans rather than to take possession of collateral. This might involve extending the payment arrangements and the agreement of new loan conditions, which was also referred to as forbearance. Once the terms had been renegotiated any impairment was measured using the original effective interest rate as calculated before the modification of terms and the loan was no longer considered past due. Management continuously reviewed renegotiated loans to ensure that all criteria were met and that future payments are likely to occur. The loans continued to be subject to an individual or collective impairment assessment, calculated using the loan’s original effective interest rate.

AFS investments

MBE’s AFS investments entirely consisted of debt instruments. MBE assessed individually whether there was objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment was the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Notes to Consolidated Financial Statements

unless stated otherwise amounts in thousands of €s

1. Cash and balances with central banks

Cash and balances with central banks	31 March 2019	31 March 2018
Cash on hand	9	-
Balances with central bank	1.863.896	7.934.960
Cash and balances with central banks	**1.863.905**	**7.934.960**

Balances with central banks include mandatory reserve deposits amounting to € 1.863.905 (31 March 2018: € 7.934.960), which are not immediately available for MBE's day-to-day operations. The requirement for banks to maintain a minimum reduces MBE's exposure to liquidity risk. Cash and balances with central banks has decreased in comparison with prior year. On 31 March 2018 MBE held excess liquidity at the central bank to ensure that the liquidity position enabled a smooth transfer of the German, Spanish and Portuguese offices from MUFG Bank to MBE at 1 April 2018.

2. Loans and advances to banks

Loans and advances to banks	31 March 2019	31 March 2018
Placements with banks - on demand	3.060.726	760.937
Placement with banks - term deposits	701.606	1.322.278
Loans and advances	1.102.088	489
	4.864.420	**2.083.704**
Allowance for impairment losses	(66)	-
Loans and advances to banks	**4.864.354**	**2.083.704**

The amount receivable from MUFG Bank London branch is € 2.460.769 (31 March 2018: € 1.905.776). MBE entered into a financial collateral agreement dated 16 March 2016 with MUFG Bank London branch, whereby eligible government bonds amounting to € 3.700.000 are pledged by MUFG Bank to MBE. € 2.500.000 (31 March 2018: € 1.900.000) was used as credit risk mitigation to reduce MBE´s total risk exposure amount and to maintain its exposure to MUFG Bank within the legal lending limit.

3. Loans and advances to customers

This item includes amounts receivable in connection with commercial loans and advances (such as loans, overdrafts in current account, bills discounted), due from counterparties other than banks.

Loans and advances to customers – by class	31 March 2019	31 March 2018
Corporate term loans	7.280.291	4.413.180
Corporate current accounts	2.962.566	1.805.374
Bills of exchange	2.245.865	422.495
Personnel loans	636	166
	12.489.358	**6.641.215**
Allowance for impairment losses	(81.728)	(2.285)
Loans and advances to customers - by class	**12.407.630**	**6.638.930**

A substantial part of the loans and advances is granted to Japanese-owned companies established in countries in which MBE is present. Collateral is frequently obtained in connection with loans and advances.

The following table analyses the loan portfolio by collateral type. Assets are allocated to categories to the extent covered by collateral received.

3. Loans and advances to customers (continued)

Loans and advances to customers – by collateral type	31 March 2019	31 March 2018
Guarantees received from MUFG Bank	-	318.950
Pledged deposits received from MUFG Bank	3.475.519	2.185.927
Pooling accounts of clients	2.434.018	1.614.189
Unsecured	6.579.821	2.522.149
	12.489.358	**6.641.215**
Allowance for impairment losses	(81.728)	(2.285)
Loans and advances to customers - by collateral type	**12.407.630**	**6.638.930**

The allowance for loans and advances to customers relates to corporate clients.

The movement of the allowance for impairment losses for loans and advances to banks (Note 2) and customers, and for off-balance sheet exposures, is as follows:

	31 March 2019	31 March 2018
As of 1 April 2018 / 1 January 2017	**(2.285)**	**(2.981)**
IFRS 9 transition impact	(1.199)	-
Adjusted, before impact of new branches	**(3.484)**	**(2.981)**
Addition due to new branches	(79.169)	-
IFRS 9 transition impact	21.561	-
Impact of new branches	**(57.608)**	**-**
Adjusted, including impact of new branches	**(61.092)**	**(2.981)**
Net impairment (allowances) reversals	(10.765)	696
Recovery of amounts previously written off	(13.193)	-
As at 31 March 2019 / 2018	**(85.050)**	**(2.285)**

Allowance for impairment losses	31 March 2019	31 March 2018
Individual impairment	(85.050)	(37)
Collective impairment	-	(2.248)
As at 31 March 2019/2018	**(85.050)**	**(2.285)**

3. Loans and advances to customers (continued)

As of 1 April 2018 all loans and advances to banks (Note 2) and loans and advances to customers are individually assessed using IFRS 9 ECL models. The following table analyses the expected credit loss movement by stage and type of exposure:

	Stage 1	Stage 2	Stage 3	Total
Loan and advances to banks (Note 2)				
1 April 2018	18	-	-	18
Addition due to new branches	40	3	-	43
Net impairment allowances	8	(3)	-	5
31 March 2019	**66**	**-**	**-**	**66**
Loans and advances to customers				
1 April 2018	928	2.045	-	2.973
Addition due to new branches	776	2.295	51.057	54.128
Net impairment allowances	(54)	(2.525)	27.206	24.627
31 March 2019	**1.650**	**1.815**	**78.263**	**81.728**
Off-Balance Sheet Items				
1 April 2018	183	247	63	493
Addition due to new branches	536	1.366	1.535	3.437
Net impairment allowances	(40)	(278)	(356)	(674)
31 March 2019 (Note 12)	**679**	**1.335**	**1.242**	**3.256**
Total ECL as at 31 March 2019	**2.395**	**3.150**	**79.505**	**85.050**

4. Derivatives

The table below shows the fair values of derivatives, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of neither market nor credit risk.

	31 March 2019			31 March 2018		
Derivatives	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Derivatives used as fair value hedge						
Interest rate swaps	11.420	12.508	193.217	-	109	5.391
	11.420	**12.508**	**193.217**	**-**	**109**	**5.391**
Derivatives held for trading						
Forward foreign exchange contract	32.959	31.189	2.782.174	23.629	22.593	1.406.475
Interest rate swaps	-	-	-	-	684	42.000
Currency swaps	23	-	775	153	144	39.870
Cross currency interest rate swaps	-	-	-	-	88	1.475
	32.982	**31.189**	**2.782.949**	**23.782**	**23.509**	**1.489.820**
Derivative financial instruments	**44.402**	**43.697**	**2.976.166**	**23.782**	**23.618**	**1.495.211**

4. Derivatives (continued)

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or both.

Interest rate swaps relate to contracts taken out by MBE with other financial institutions in which MBE either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Currency swaps relate to contracts taken out by MBE with other parties. MBE pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly settled gross.

Forward foreign exchange contracts
Forward foreign exchange contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter marke. MBE has a credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear liquidity risk. Forward contracts also result in market risk exposure.

Derivatives used as fair value hedge
As part of its asset and liability management, MBE uses derivatives for hedging purposes in order to reduce its exposure to market risks. This is achieved by hedging specific financial instruments and forecast transactions as well as strategic hedging against overall financial position exposures.

Fair value hedges are used by MBE to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans to clients. MBE uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps to hedge interest rate risk.

As at 31 March 2019, MBE recognised a net loss of € 1.088 (31 March 2018: loss of € 109) on the hedging instruments. The total net loss on hedged items attributable to the hedged risks amounted to € 53 (31 March 2018: net gain of € 102).

Derivatives held for trading
Most of MBE’s derivative activities relate to deals with customers which are normally hedged by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IAS 39 hedge accounting criteria.

5. Financial investments

Financial investments	31 March 2019	31 March 2018
Foreign Government Bonds (*)	60.439	35.612
Financial investments	**60.439**	**35.612**

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to section ‘Change in Accounting Policies’.

The financial investments consist only of short term Polish government bonds, which are pledged for liquidity purposes to the Polish central bank to secure any borrowings. The business model of the financial investments portfolio is hold to collect or sell. Financial investments are measured at Fair Value though Other Comprehensive Income.

The movement is as follows:

Financial investments - Movement	31 March 2019	31 March 2018
As at 1 April 2018 / 1 January 2017	35.612	251.919
Additions	60.439	35.612
Disposals and redemptions	(35.612)	(251.919)
Changes in unrealised revaluations	-	-
As at 31 March 2019 / 2018	**60.439**	**35.612**

6. Property and equipment

Property and equipment	31 March 2019 Operations equipment	31 March 2019 Leasehold improve - ments	31 March 2019 Total	31 March 2018 Operations equipment	31 March 2018 Leasehold improve - ments	31 March 2018 Total
As at 1 April 2018 / 1 January 2017	**1.167**	**2.691**	**3.858**	**659**	**184**	**843**
Additions due to new branches/subsidiaries	2.000	1.039	3.039	-	-	-
Other additions	592	40	632	1.154	2.797	3.951
Disposals	-	(13)	(13)	-	(3)	(3)
Depreciation	(933)	(501)	(1.434)	(649)	(290)	(939)
Exchange rate adjustments	(1)	-	(1)	3	3	6
As at 31 March 2019 / 2018	**2.825**	**3.256**	**6.081**	**1.167**	**2.691**	**3.858**
Accumulated cost	11.364	9.130	20.494	5.253	4.239	9.492
Accumulated depreciation	(8.539)	(5.874)	(14.413)	(4.086)	(1.548)	(5.634)
Property and equipment	**2.825**	**3.256**	**6.081**	**1.167**	**2.691**	**3.858**

The property and equipment relates to small office equipment and improvements to offices (leasehold improvements). The depreciation period varies between 2 and 16 years.

7. Intangible assets

Intangible assets	31 March 2019	31 March 2018
As at 1 April 2018 / 1 January 2017	**7.122**	**3.906**
Additions due to new branches	252	-
Other additions	11.276	2.479
Disposals	-	-
Amortisation	(3.204)	(1.913)
Under development	392	3.049
Impairment (loss)	-	(403)
Exchange rate adjustments	(2)	4
As at 31 March 2019 / 2018	**15.836**	**7.122**
Accumulated cost	39.697	17.591
Accumulated amortisation	(23.861)	(10.469)
Intangible assets	**15.836**	**7.122**

The intangible assets consist of software and licenses. The total purchase of intangible assist is € 11.668, which includes intangible assets under development of € 392. The amortisation period varies between 1 and 5 years. MBE has not identified any events or circumstances, which would indicate intangible assets may be impaired for 31 March 2019 (31 March 2018: € (403))

8. Other assets

Other assets	31 March 2019	31 March 2018
Accrued interest	20.187	9.736
Prepayments	33.601	8.093
Other assets	**53.788**	**17.829**

The increase of prepayments is mainly related to new branches.

9. Due to banks

This item comprises debt to credit institutions and central banks.

Due to banks	31 March 2019	31 March 2018
Nostro accounts	48.662	175
Term deposits	5.428.619	9.325.770
Due to banks	**5.477.281**	**9.325.945**

MBE provides commercial loans to clients which in some cases exceed the maximum exposure of 25% of Tier 1 capital. All amounts higher than 25% of actual own funds are collateralised by MUFG Bank through pledge deposits. The term deposits from MUFG Bank, pledged on behalf of loans and advances to customers or banks granted by MBE, amount to € 3.855.186 (31 March 2018: € 2.185.927). The total amount owed to MUFG Bank, including pledged deposits, is € 5.477.281 (31 March 2018: € 9.325.770).

10. Due to customers

Due to customers	31 March 2019	31 March 2018
Term deposits	1.583.919	710.685
Current accounts	9.779.611	5.115.389
Due to customers	**11.363.530**	**5.826.074**

Included in 'Due to customers' are deposits and/or current accounts of € 2.413.118 (31 March 2018: € 1.614.189), which are regarded as collateral (pooling accounts) for current account overdraft balances of clients. See Note 32, item II Credit risk.

11. Subordinated debt

Subordinated debt	31 March 2019	31 March 2018
Subordinated debt	**300.000**	**300.000**

MUFG Bank has granted MBE a subordinated bullet loan in order to strengthen the capital position of MBE. The maturity date is 23 March 2028 and the loan has an annual interest rate of 1,704%. The subordinated debt is part of the total capital amount of MBE as Tier 2 capital.

12. Provisions

The provisions consist of the following:

Provisions	31 March 2019	31 March 2018
Expected credit loss on off-balance sheet exposure **(Note 3)**	3.256	-
Defined benefit plan – the Netherlands **(12.1)**	6.701	6.814
Pension liability – Germany **(12.2)**	19.385	-
Other provisions for early retirement and pensions **(12.3)**	6.440	-
Provisions	**35.782**	**6.814**

The expected credit losses for off-balance exposures are disclosed in Note 3.

Net benefit expense (recognised under personnel expenses)	31 March 2019	31 March 2018
Current service cost	2.696	2.396
Interest cost on net benefit obligation	504	123
Immediate recognition of (gain)/loss arising during year	-	-
Administration expenses	219	389
Net benefit expense (recognised in personnel expenses)	**3.419**	**2.908**
Actual return/(deficit) on plan assets (the Netherlands)	**1.822**	**1.482**

Defined benefit plans Germany and the Netherlands	31 March 2019	31 March 2018
As at 1 April 2018 /1 January 2017	6.814	6.939
Addition due to Germany	18.284	-
Net benefit expense (recognised under personnel expenses)	3.419	2.908
Actuarial gain/(loss)	1.534	(25)
Employer contribution	(3.965)	(3.008)
As at 31 March 2019/2018	**26.086**	**6.814**

	31 March 2019	31 March 2018
DBO (gain)/loss due to changes in demographic assumptions	(348)	(261)
DBO (gain)/loss due to changes in financial assumptions	2.986	241
DBO (gain)/loss due to experience	(38)	540
Return on plans assets excl. amounts incl. interest income	(1.066)	(545)
Actuarial gain/(loss)	**1.534**	**(25)**

12. Provisions (continued)

12.1 Defined benefit plan – the Netherlands

The defined benefit plan of the Netherlands consists of:

Defined benefit plan – the Netherlands	31 March 2019	31 March 2018
Present value of defined benefit obligation	54.413	49.997
Fair value of plan assets	(47.712)	(43.183)
Deficit/(surplus)	**6.701**	**6.814**

The Dutch defined benefit plan is a defined benefit obligation pension plan for Netherlands based staff. The pension age is 68 as of 1 January 2018. The benefits are based on a career average system. There is also a legacy plan for 8 staff members, which is based on a final pay system.

Changes in the present value of the defined benefit obligation are as follows:

Present value of the defined benefit obligation	31 March 2019	31 March 2018
Opening defined benefit obligation	49.997	47.207
Current service cost	2.265	2.420
Interest cost	865	1.059
Contributions by employees	293	216
Benefits paid	(1.333)	(1.402)
Actuarial losses on obligations	2.326	521
Past service costs	-	(24)
Present value of the defined benefit obligation	**54.413**	**49.997**

Changes in the fair value of plan assets are as follows:

Closing fair value of plan assets	31 March 2019	31 March 2018
Opening fair value of plan assets	(43.183)	(40.291)
Contributions by employer	(3.964)	(2.986)
Contributions by employees	(293)	(216)
Benefits paid	1.333	1.402
Actual expenses, taxes and premiums paid	219	389
Interest income on plan assets	(756)	(936)
Return on plan assets excl. amounts incl. interest income	(1.068)	(545)
Closing fair value of plan assets	**(47.712)**	**(43.183)**

12. Provisions (continued)

Retirement benefit costs
The assets of the retirement benefit plan consist of insurance contracts as well as a cash deposit fund used for indexation of pensions paid.

Insurance contracts with subsequent profit sharing clause	31 March 2019	31 March 2018
Insurance contracts with subsequent profit sharing clause	100%	100%

The overall expected rate of return on assets is calculated based on three elements:

- The rate of return on the insurance contract which is effectively the discount rate;
- Surcharges on contribution by MBE which can be attributed to the year and which are caused by differences between market yields and yields used by the insurer;
- Execution costs.

The principal assumptions used in determining pension obligations for MBE's plan are shown below:

Pension obligations assumptions	31 March 2019	31 March 2018
Discount rate	1,50%	1,75%
Expected long-term rate of return on assets	2,00%	1,90%
Expected rate of salary increases	3,75%	3,00%
Expected rate of pension increases current participants	0,07%	0,22%
Exp. rate of pension increases former participants (indexation)	0,07%	0,22%
Expected rate of price increases	1,90%	1,80%

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of MBE at 31 March 2019. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

Participants of the defined benefit plan – the Netherlands	31 March 2019	31 March 2018
Active	164	151
Vested terminations	184	167
Beneficiaries	98	94

Sensitivity information – the Netherlands

The following table illustrates the sensitivity in the defined benefit obligation as in the projected IAS 19 expense to different discount rates. The sensitivity analysis calculates the financial impact on the defined benefit obligation if the discount rate would increase or decrease and all other assumptions were held constant. In practice the discount rate is seen as the assumption which would have the most significant impact on the defined benefit obligation.

Discount rate sensitivity information	Adjusted assumption	DBO as at 31 March 2019	DBO as at 31 March 2018
Discount rate	1,50%	54.413	47.207
Discount rate +0,5%	2,00%	49.247	42.895
Discount rate -0,5%	1,00%	60.423	52.197

12. Provisions (continued)

Changes in life expectancy	Increase by 1 year	Decrease by 1 year
Life expectancy	DBO +4,37%	DBO -4,41%

12.2 Pension liability – Germany

Pension liability – Germany	31 March 2019
As at 1 April 2018	-
Additional Pension liability Germany	18.284
Service costs	431
Interest expense	396
Actuarial gain/ (loss)	274
As at 31 March 2019	**19.385**

The pension obligations are based on a defined benefit plan. The plan is valued by independent qualified actuaries using the projected unit credit method. The key actuarial assumptions applied in determining the defined benefit obligations at 31 March 2019 are the following:

Pension liability – Germany	31 March 2019
Discount rate – current employees	2,11%
Discount rate – former employees	1,66%
Expected rate of salary increases (for current employees)	3,00%
Expected rate of pension increases current participants	1,75%
Exp. rate of pension increases former participants (indexation)	1,75%
Expected rate of price increases	1,75%
Mortality	Richttafeln Heubeck 2018G
Disability	Richttafeln Heubeck 2018G
Marriage	Richttafeln Heubeck 2018G
Retirement age	62 or 63

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation. The discount rates based on a high quality corporate bond yield curve.

The pension obligations are secured against insolvency by Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit.

Sensitivity information – Germany

The following table illustrates the sensitivity in the severance liability - Germany as in the projected IAS 19 expense to different discount rates. The sensitivity analysis calculates the financial impact on the defined benefit obligation if the discount rate would increase or decrease and all other assumptions were held constant. In practice the discount rate is seen as the assumption which would have the most significant impact on the defined benefit obligation.

12. Provisions (continued)

Discount rate sensitivity information	Adjusted assumption		Severance liability per 31 March 2019	
	Current employees	Former employees	Current employees	Former employees
Discount rate	2,11%	1,66%	8.146	11.239
Discount rate +0,5%	2,61%	2,16%	7.659	10.066
Discount rate -0,5%	1,61%	1,16%	8.688	12.598

12.3 Other provisions for early retirement and pensions

Other provisions for early retirement and pensions	31 March 2019	31 March 2018
As at 1 April 2018/1 January 2017	-	-
Addition to the group	8.795	-
Current year charge	1.922	-
Payments made	(4.277)	-
As at 31 March 2019/2018	**6.440**	**-**
Early retirement Spain	6.114	-
Pensions MUFG EUROPE Lease (Deutschland) GmbH	326	-
As at 31 March 2019/2018	**6.440**	**-**

The early retirement provision of the Spanish branch of MBE is based on an agreement with the works council in connection with changed requirements, relating to a defined number of employees.

13. Other liabilities

Other liabilities	31 March 2019	31 March 2018
Accrued interest / unearned income	34.501	14.861
Accounts payable	268.903	30.025
Other liabilities	**303.404**	**44.886**

14. Issued capital and reserves

The authorized capital amounts to € 136.200 (31 March 2018: € 136.200) and consists of 300.000 ordinary shares of € 454 each (unit: one €). On 1 April 2018, MBE issued 4 shares for the transfer of the German and Spanish branches. The number of issued and fully paid-up shares has increased to 220.270 (31 March 2018: 220.266). Issued and fully-paid capital amounts to € 100.003 (31 March 2018: € 100.001). All shares issued are held by MUFG Bank, a wholly-owned subsidiary of MUFG Inc.

Changes in share premium
MUFG Bank transferred the German and Spanish branches to MBE on 1 April 2018 in exchange for 4 shares of MBE. The transaction was accounted for as a business combination under common control, using the predecessor accounting. The assets and liabilities of the German and Spanish business were transferred on 1 April 2018 at book value resulting in a share premium of € 627.808.

Issued capital and reserves	31 March 2019	31 March 2018
As at 1 April 2018/1 January 2017	706.696	81.696
Addition Share Premium	627.608	625.000
Share Premium (parent)	**1.344.304**	**706.696**
Non-controlling interest	**25**	**-**
Share premium (total)	**1.334.329**	**706.696**

14. Issued capital and reserves (continued)

Restrictions with respect to dividend and repayment of capital
Pursuant to statutory provisions MBE can only pay dividend to the shareholder in as far as its paid-up capital and retained earnings are larger than the paid-up and called-up part of the capital increased by the reserves which have to be maintained by law or under MBE's articles of association.

By virtue of a resolution of the general meeting of the shareholder MBE may acquire fully paid-up shares in the authorised capital of MBE only if the paid-up capital and retained earnings, after deduction of the acquisition price, is not less than the paid-up and called-up part of the capital increased by the reserves which have to be maintained by law, and the par value of the shares to be acquired and already held by MBE in its capital does not amount to more than one/tenth of the issued capital.

Dividend payment
No dividend was paid in the period ended 31 March 2019 (31 March 2018: € 0).

15. Interest income

Interest income	31 March 2019	31 March 2018
Cash and balances with central banks	210	236
Loans and advances from banks	7.328	5.597
Loans and advances from customers	191.033	100.317
Financial investments (*)	567	1.102
Interest rate swaps	7.488	2.395
Other interest income	182	85
Interest income	**206.808**	**109.732**

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to the accounting policies section.

16. Interest expense

Interest expense	31 March 2019	31 March 2018
Central banks	7.549	1.703
Nostro account	172	71
Deposits	78.615	55.670
Total Due to banks	**86.336**	**57.444**
Due to customers	25.792	13.137
Interest rate swaps	6.966	4.137
Other interest expense	74	39
Interest expense	**119.168**	**74.757**

17. Fee and commission income

Fee and commission income	31 March 2019	31 March 2018
Commission on funds transfer and letters of credit	10.073	4.383
Commission on guarantees	7.843	2.124
Brokerage and advisory fees	1.129	896
Commission on corporate management services	3.693	4.715
Other commission income	2.985	679
Fee and commission income	**25.723**	**12.797**

18. Fee and commission expense

Fee and commission expense	31 March 2019	31 March 2018
Commission on (credit replacing) guarantees	4.336	3.794
Commission on funds transfer and letters of credit	847	685
Commission on corporate management services	3.574	4.160
Other commission expenses	7.302	1.937
Fee and commission expense	**16.059**	**10.576**

19. Other operating income

Other operating income	31 March 2019	31 March 2018
Other Operating Income Profit or Loss, net	**-**	**611**

20. Result on financial transactions

Result on financial transactions	31 March 2019	31 March 2018
Result on financial transactions	**42.654**	**25.184**

21. Personnel expenses

Personnel expenses	31 March 2019	31 March 2018
Wages and salaries	50.250	26.097
Social security costs	7.735	2.974
Pension costs	3.419	2.908
Reorganisation expenses	1.922	-
Other staff costs	9.749	8.135
Personnel expenses	**73.075**	**40.114**

The average number of employees during the period ended 31 March 2019 is 630, of which 252 are employed in the Netherlands and 227 are employed in Germany. Other staff costs include mainly the costs related to contracted employees and/or agency employees.

22. Other operating expenses

Other operating expenses	31 March 2019	31 March 2018
Occupancy expenses	5.642	2.479
Office expenses	13.914	9.416
Professional fees	7.522	3.607
Business promotion expenses	4.621	3.122
VAT and sundry taxes	10.127	9.006
Other operating expenses	4.423	-
Other operating expenses	**46.249**	**27.630**

Occupancy expenses merely relate to office rent. Office expenses relate to IT services, regulatory supervision expenses and other office expenses. The Professional fees include fees charged by audit organizations and auditors, as defined in Article 382a, Part 9 of the Dutch Civil Code, Book 2, which can be specified as follows:

22. Other operating expenses (continued)

Fees charged by external auditor	31 March 2019			31 March 2018		
	Netherlands	Other	Total	Netherlands	Other	Total
Audit of Financial Statements	972	1.001	1.973	543	276	819
Other assurance services	101	43	144	333	79	412
Fees charged by external auditor	**1.073**	**1.044**	**2.117**	**876**	**355**	**1.231**

This summary reflects fees charged by MBE's external auditors in respect of audit services and other assurance services provided. No audit fees were paid for Tax Advisory and Non-audit services. Fees in The Netherlands amounting to € 1.073 (31 March 2018: € 876) relate to Deloitte Accountants B.V.

23. Impairment charges on financial assets

Impairment charges on financial assets	31 March 2019	31 March 2018
Collective impairment	-	620
Individual impairment	(10.765)	76
Impairment charges on financial assets	**(10.765)**	**696**

24. Income tax (expense)

The net tax position is analysed in the following table:

Income tax (expense)	31 March 2019	31 March 2018
Current tax assets	31.638	11.193
Deferred tax assets	25.604	5.444
Tax assets	**57.242**	**16.637**
Current tax liabilities	(151)	(121)
Deferred tax liabilities	(945)	(150)
Tax liabilities	**(1.096)**	**(271)**
Net tax position	**56.146**	**16.366**

Current tax assets and liabilities relate to amounts receivable and payable in relation to pending tax declarations. The components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are:

Tax income/(expense)	31 March 2019	31 March 2018
Current tax		
Current income tax	(15.985)	1.736
Adjustment of current income tax of prior years	(10)	(5)
Deferred tax		
Reversal of carry forward loss	(2.935)	-
Severance and pension liabilities	(557)	-
ECL	1.275	-
Other	2.797	-
Tax income / (expense)	**(15.415)**	**1.731**

24. Income tax (expense) (continued)

The reconciliation between the tax expense and the accounting profit multiplied by MBE's domestic tax rate is as follows:

Income tax (expense) / reported	31 March 2019	31 March 2018
Accounting profit before tax	**(5.231)**	**7.312**
Statutory tax rate of the Bank (25%)	(1.308)	1.828
Effect of different tax rates in other countries	(1.268)	(131)
Non-taxable losses	(4.591)	-
Adjustments for movements in severance and pension	(557)	-
Adjustments for movements in ECL	1.275	-
Reversal of carry forward losses	(2.935)	-
Tax adjustments previous years	(10)	(5)
Others	(6.021)	39
Income tax (expense) / reported	**(15.415)**	**1.731**

The effective income tax rate is 294,7% for the period ended 31 March 2019 (31 March 2018: 23,7%). The amount 'others' (€ 6.021) consist mainly of other tax relating differences between accounting and fiscal books; such as exchange rates, fixed assets, unearned revenue and disallowable expenses.

Deferred tax related to items charged or credited directly to equity during the year is as follows:

Deferred tax (charged/ credited to equity)	31 March 2019	31 March 2018
Net gain (loss) on financial investments	-	108
Net gain (loss) on pension	400	(6)
Deferred tax (charged) / credited to equity	**400**	**102**

The following table shows deferred tax recorded on the balance sheet in 'Deferred tax asset' and 'Deferred tax liabilities' and changes recorded in the income tax expense:

	31 March 2019			31 March 2018		
Deferred tax	Asset	Liability	Consolidated statement of profit or loss	Asset	Liability	Consolidated statement of profit or loss
Pensions	2.429	-	247	2.114	-	-
Severance	5.293	-	(804)	-	-	-
ECL	16.673	-	1.275	-	-	-
Revaluation of financial investments	-	-	-	393	-	-
Tax loss carry forward	-	-	(2.935)	2.935	-	-
Fixed assets	21	-	(5)	-	-	-
Amortized fees	1.341	-	40			
Other temporary differences	(153)	(945)	2.762	2	(151)	-
Deferred tax	**24.604**	**(945)**	**580**	**5.444**	**(151)**	**-**

MBE does not record deferred tax assets related to tax carry forward, as MBE does not expect the future taxable income to recover the deferred tax amount.

25. Components of comprehensive income

Components of comprehensive income	31 March 2019 Before tax amount	31 March 2019 Tax (expense) benefit	31 March 2019 Net of tax amount	31 March 2018 Before tax amount	31 March 2018 Tax (expense) benefit	31 March 2018 Net of tax amount
Re-measurement of the net defined benefit asset/liability	(1.534)	400	(1.134)	25	(6)	19
Foreign currency translation reserve	191	-	191	(141)	-	(141)
Financial instruments FVOCI (*)	(1)	-	(1)	(432)	108	(324)
Components of comprehensive income	**(1.344)**	**400**	**(944)**	**(548)**	**102**	**(446)**

(*) Financial investments as per 31 March 2019 and 31 March 2018 have been prepared in accordance with IFRS 9 and IAS 39, respectively as permissible under IFRS 9.

26. Fair value measurement

The fair value measurement hierarchy of MBE's assets and liabilities is based on valuation technique.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities; and
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The technique that is being used for the derivative financial instruments under level 2 is the market to market (MtM) calculation, which looks at the contract rates against the forward rates in the current market. The fair value of financial instruments carried in the consolidated balance sheet at fair value:

Financial assets	31 March 2019 Level 1	31 March 2019 Level 2	31 March 2019 Total	31 March 2018 Level 1	31 March 2018 Level 2	31 March 2018 Total
Interest rate swaps	-	11.420	11.420	-	-	-
Cross currency interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	32.959	32.959	-	23.629	23.629
Foreign exchange swap contracts	-	23	23	-	153	153
Derivative financial instruments	-	**44.402**	**44.402**	**-**	**23.782**	**23.782**
Government debt securities (*)	60.439	-	60.439	35.612	-	35.612
Financial instruments FVOCI	**60.439**	**-**	**60.439**	**35.612**	**-**	**35.612**
Financial assets	**60.439**	**44.402**	**104.841**	**35.612**	**23.782**	**59.394**

(*) Financial investments as per 31 March 2019 and 31 March 2018 have been prepared in accordance with IFRS 9 and IAS 39, respectively as permissible under IFRS 9.

26. Fair value measurement (continued)

Financial liabilities	31 March 2019 Level 1	31 March 2019 Level 2	31 March 2019 Total	31 March 2018 Level 1	31 March 2018 Level 2	31 March 2018 Total
Interest rate swaps	-	12.508	12.508	-	793	793
Cross currency interest rate swaps	-	-	-	-	88	88
Foreign exchange forward contracts	-	31.189	31.189	-	22.593	22.593
Foreign exchange swap contracts	-	-	-	-	144	144
Financial liabilities	**-**	**43.697**	**43.697**	**-**	**23.618**	**23.618**

Set out below is a comparison, by class, of the carrying amounts and fair values of MBE's financial instruments that are not carried at fair value in the Financial Statements, separately for assets and liabilities. This table does not include the fair values of non-financial assets and non-financial liabilities. There have been no transfers of financial instruments between levels.

Fair value of financial instruments - assets	31 March 2019 Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	1.863.905	1.863.905	1.863.905	-	-
	1.863.905	**1.863.905**	**1.863.905**	**-**	**-**
Loans and advances to banks					
Placements with banks - on demand	3.060.726	3.060.726	3.060.726	-	-
Placements with banks - term deposits	701.606	703.634	-	-	703.634
Loans and advances	1.102.088	1.110.982	-	-	1.110.982
	4.864.420	**4.875.342**	**3.060.726**	**-**	**1.814.616**
Loans and advances to customers					
Corporate current accounts	2.962.566	2.963.202	2.963.202	-	-
Corporate term loans	7.280.291	7.326.992	-	-	7.326.992
Bills of exchange	2.245.865	2.248.290	-	-	2.248.290
Personnel loans	636	636	-	-	636
	12.489.358	**12.539.120**	**2.963.202**	**-**	**9.575.918**
Other financial assets	20.187	20.187	-	-	20.187
	20.187	**20.187**	**-**	**-**	**20.187**
Fair value of financial instruments – assets	**19.237.870**	**19.298.554**	**7.887.833**	**-**	**11.410.721**

26. Fair value measurement (continued)

Fair value of financial instruments - assets	31 March 2018				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	7.934.960	7.934.962	7.934.962	-	-
	7.934.960	**7.934.962**	**7.934.962**	-	-
Loans and advances to banks					
Placements with banks - on demand	760.937	760.786	760.786	-	-
Placements with banks - term deposits	1.322.278	1.323.192	-	-	1.323.192
Loans and advances	489	490	-	-	490
	2.083.704	**2.084.468**	**760.786**	**-**	**1.323.682**
Loans and advances to customers					
Corporate current accounts	1.805.374	1.805.374	1.805.374	-	-
Corporate term loans	4.413.180	4.432.063	-	-	4.432.063
Bills of exchange	422.495	423.498	-	-	423.498
Personnel loans	166	166	-	-	166
	6.641.215	**6.661.101**	**1.805.374**	**-**	**4.855.727**
Other financial assets	9.736	9.736	-	-	9.736
	9.736	**9.736**	**-**	**-**	**9.736**
Financial assets	**16.669.615**	**16.690.267**	**10.501.122**	**-**	**6.189.145**

Fair value of financial instruments - liabilities	31 March 2019				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	5.477.281	5.496.318	48.662	-	5.447.656
Due to customers	11.363.530	11.365.014	9.779.611	-	1.585.403
Other financial liabilities	34.501	34.501	-	-	34.501
Subordinated debt	300.000	300.318	-	-	300.318
Financial liabilities	**17.175.312**	**17.196.151**	**9.828.273**	**-**	**7.367.878**

Fair value of financial instruments - liabilities	31 March 2018				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	9.325.945	9.330.515	175	-	9.330.340
Due to customers	5.826.074	5.827.940	5.115.389	-	712.551
Other financial liabilities	14.861	14.861	-	-	14.861
Subordinated debt	300.000	300.332	-	-	300.332
Financial liabilities	**15.466.880**	**15.473.648**	**5.115.564**	**-**	**10.358.084**

Amounts exclude expected credit loss

Fair value determination
The following is a description of the determination of fair value for financial instruments which fair value is determined using valuation techniques (effective interest method). These incorporate MBE's estimate of assumptions that a market participant would make when valuing the instruments.

Interest rate swaps
For interest rate swap contracts the 'discounted cash flow method' is used to calculate for the fair value. The interest rate used to discount future cash flows is the defined reference rate in the market for the contract for the applicable period (where needed interpolation is done to obtain the proper interest rate).

26. Fair value measurement (continued)

Foreign exchange contracts
For foreign exchange contracts the calculation of the fair value is done by adding the spot rate and applicable forward points (valuation currency is USD). The result of the valuation is discounted by applicable USD interest rate and if needed interpolation is done to obtain the proper forward points.

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value
For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and saving accounts without a specific maturity.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

27. Maturity analysis of assets and liabilities

The table below shows the assets and liabilities according to when they are expected to be recovered or settled based on discounted cash flows. The table in Note 32, item (III) Liquidity risk, shows an analysis of assets and liabilities analysed based on their contractual, undiscounted cash flows.

Maturity analysis of assets and liabilities	31 March 2019			31 March 2018		
	12 months or less	Over 12 months	Total	12 months or less	Over 12 months	Total
Assets						
Cash and balances with central banks	1.863.905	-	1.863.905	7.934.960	-	7.934.960
Loans and advances to banks	4.082.055	782.299	4.864.354	2.072.688	11.016	2.083.704
Loans and advances to customers	6.827.803	5.579.827	12.407.630	4.151.749	2.487.181	6.638.930
Derivatives	44.402	-	44.402	23.782	-	23.782
Financial investments	60.439	-	60.439	35.612	-	35.612
Property and equipment	-	6.081	6.081	-	3.858	3.858
Intangible assets	-	15.836	15.836	-	7.122	7.122
Tax assets	31.638	25.604	57.242	11.193	5.444	16.637
Other assets	53.788	-	53.788	17.829	-	17.829
Total assets	**12.964.030**	**6.409.647**	**19.373.677**	**14.247.813**	**2.514.621**	**16.762.434**

27. Maturity analysis of assets and liabilities (continued)

Maturity analysis of assets and liabilities	31 March 2019			31 March 2018		
	12 months or less	Over 12 months	Total	12 months or less	Over 12 months	Total
Liabilities						
Due to banks & subordinated debt	2.625.216	3.152.065	5.777.281	7.943.944	1.682.001	9.625.945
Due to customers	11.218.001	145.529	11.363.530	5.825.974	100	5.826.074
Derivatives	43.697	-	43.697	23.618	-	23.618
Tax liabilities	151	945	1.096	121	150	271
Provisions	9.696	26.086	35.782	-	6.814	6.814
Other financial liabilities	303.404	-	303.404	44.886	-	44.886
Total liabilities	**14.2000.165**	**3.324.625**	**17.524.790**	**13.838.543**	**1.689.065**	**15.527.608**
Net	**(1.236.135)**	**3.085.022**	**1.848.887**	**409.270**	**825.556**	**1.234.826**

28. Contingent liabilities, commitments and leasing arrangements

To meet the financial needs of customers MBE issues various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk.

Contingent liabilities and commitments	31 March 2019	31 March 2018
Letters of credit	10.728	2.610
Financial guarantees	1.907.888	586.088
Undrawn commitments to lend	15.024.217	2.048.794
Contingent liabilities and commitments	**16.942.833**	**2.637.492**

Letters of credit, guarantees and acceptances commit MBE to make payments on behalf of customers that fail to perform under the terms of the contract, generally related to the export or import of goods. Guarantees carry the same credit risk as loans.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. In general commitments have fixed expiration dates or termination clauses. MBE is potentially exposed to losses to a maximum amount of the total unused commitments.

Operating lease commitments
MBE has entered into commercial leases as lessee of premises and rental commitments. The non-cancellable operating lease rentals are payable as follows:

Operating lease commitments	31 March 2019	31 March 2018
Within 1 year	3.020	1.308
Over 1 year but not more than 5 years	8.742	5.076
More than 5 years	2.958	-
Operating lease commitments	**14.720**	**6.384**

29. Related party disclosures

(1) Transactions with key management

As per 31 March 2019 no loans where outstanding to members of the Supervisory Board and / or Management Board (31 March 2018: € 13). The loans are granted at MBE's standard terms of staff loans. Interest of staff loans it set at 3% per annum to be paid monthly. Amount is capped at 1,2 times monthly salary in case of service up to one year to be repaid in one year by equal monthly instalments or 3,6 times monthly salary in case of service excess of one year to be repaid in 3 years by equal monthly instalments. No other transactions or arrangements have been entered into with key management.

(2) Transactions with related parties

MBE enters into transactions with entities with significant influence over MBE, being MUFG Bank. The following table shows the amounts receivable and payable as at the end of the fiscal year and the corresponding interest amounts during the fiscal year in connection with transactions with group companies:

Related parties transactions – Assets	31 March 2019	31 March 2018
Loan and advances to banks	3.720.511	1.951.523
Derivative assets	18.281	69
Other assets	15.641	604
Assets	**3.754.433**	**1.952.196**
Related parties transactions – Liabilities		
Due to banks	5.410.216	9.325.770
Due to customers	-	63
Subordinated debt	300.000	300.000
Derivative liabilities	25.016	114
Other liabilities	183.732	7
Liabilities	**5.918.964**	**9.625.954**

Related parties transactions – Income Statement - for the period ending on	31 March 2019	31 March 2018
Net interest		
Interest income	7.176	4.931
Interest expense	69.638	36.028
Net interest	**(62.462)**	**(31.097)**
Fee and commission income/(expenses)		
Fee and commission income	2.465	766
Fee and commission expense	11.727	6.833
Net commission	**(9.262)**	**(6.067)**
Administrative expenses		
Administrative expenses	**14**	**2.622**
Commitment and contingents		
Commitments and contingents	**247.250**	**38.358**

Interest income and interest expense relates to amounts due from/due to MUFG Bank. Interest expense mainly relates to pledge deposits and guarantees for loans and advances to our clients provided for MUFG Bank, detailed in Note 3. Please also refer to Note 3 for cash collateral received from MUFG Bank for loans and advances to our clients. Administrative expenses relate to IT services provided by MUFG Bank. There are no administrative services provided by the ultimate parent company.

29. Related party disclosures (continued)

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties is at normal commercial rates. There is no allowance for impairment losses relating to amounts owed by related parties (31 March 2018: nil).

MUFG Bank transferred the German and Spanish branches to MBE on 1 April 2018 in exchange for 4 shares of MBE. The transaction was accounted for as a business combination under common control, using the predecessor accounting. The assets and liabilities of the German and Spanish business were transferred on 1 April 2018 at book value resulting in a share premium of € 627.808.

30. Key management remuneration

This section sets out the remuneration of the Supervisory Board, Management Board and Material Risk Takers (MRTs). Key management is defined as those persons being member of the Supervisory Board or the Management Board of MBE. For details on MBE's Remuneration Policy and processes, please see the Remuneration Policy section.

Remuneration

The total remuneration of the Supervisory Board for the period amounts to € 115 (31 March 2018: € 120). The base salary of the Management Board in for the period amounts to € 1.367 (31 March 2018: € 1.977). Salary for the MRT's staff is € 3.694 (other identified staff 31 March 2018: € 3.971). Total variable pay (bonus) for Management Board and MRTs amounts to € 992 (Management Board and other identified staff 31 March 2018 € 590).

Deferred awards

In line with regulatory requirements, MBE applies deferral arrangements to variable pay for a MRT. All deferred awards granted to a MRT are governed by the rules of the Material Risk Takers Deferral Plan. Where the variable pay awarded to a MRT is less than € 10, the MRT Deferral Plan will not apply and the employee will be subject to the General Deferral Plan.

Bonus cap

MBE applies the following maximum ratios of variable pay to fixed pay.

- Variable pay does not exceed 20% of fixed pay for anyone who works 50% or more of their time in the Netherlands.
- For the branches and subsidiaries which MBE operates in the EU and outside of the Netherlands, the ratio of variable pay and fixed pay is at maximum 100%.

Benefits

The local members of the Management Board (members not having an expatriate contract) participated in the MBE non-discretionary pension scheme. The pensionable salary is based on the Annual Base Salary, and the main portion of the pension contribution is paid by MBE. Pensionable salary that exceeds the maximum allowed by the Pension Act (€ 107 in the calendar year 2018) is compensated by a cash pension allowance.

Pension plan contributions amounted to € 74 (31 March 2018: € 69). This includes the employee contribution towards the pension premium which was 2%.

Management Board members are eligible to receive additional benefits, such as the use of a company car or car/travel allowance.

Management Board performance

The Supervisory Board assessed the Management Board members' performance against the MBE financial and non-financial performance targets taking into account the MBE's long-term objectives, the performance of MBE as a whole and the individual performance, whereby non-financial performance criteria make up a significant portion of the assessment. Both were considered amply met by the Managing Board.

31. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of MBE by the weighted average number of ordinary shares outstanding during the year.
The following table shows the income and share data uses in the basic earnings per share. No effects of dilution occurred. There are no instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these Financial Statements which would require the restatement of earnings per share.

	31 March 2019	31 March 2018
Net result attributable to ordinary equity holders of the parent	(10.163)	(5.581)
Weighted average number of ordinary shares outstanding	220.270	220.265
Weighted average number of ordinary shares adjusted for effects of dilution	220.270	220.265
Earnings per share (unit: one euro)		
Basic earnings per ordinary share	(46,14)	(25,34)
Diluted earnings per share	(46,14)	(25,34)

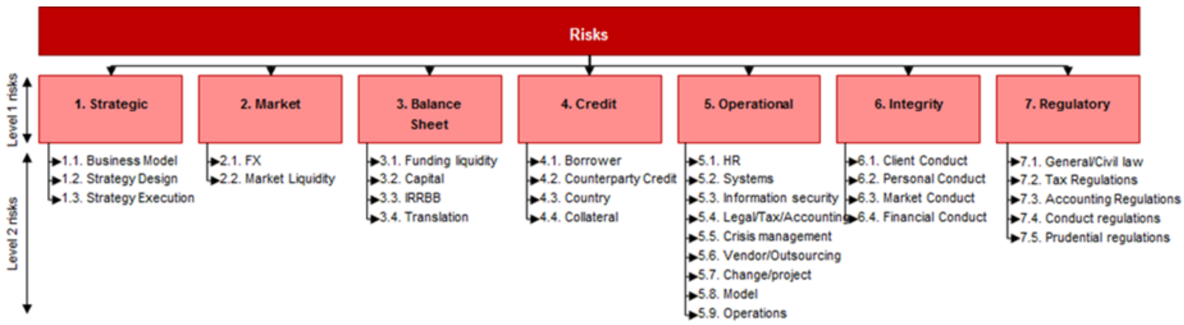
32. Risk management

(I) Risk Management Framework (RMF)

Risk profile

MBE targets a healthy and well diversified capital and liquidity position that supports its strategy and its long-term rating ambition. As a wholesale bank within the wider Mitsubishi UFJ Financial Group offering wholesale products to corporate clients throughout Continental Europe, MBE is mainly exposed to credit, operational and market risk. Given the current strategy of consolidation of business in Europe, MBE strives to limit its risks to the level that capital and liquidity metrics are in line with its low to moderate risk appetite for credit and market risk and risk aversion towards other risks.

MBE is exposed to key risks including credit risk (including country and transfer risk), liquidity risk, market risk (including interest rate risk and currency risk) and operational risk. These risks may interact with other risks like strategic risk, reputational risk, capital adequacy, compliance and legal risk.



MBE's overall risk exposure is subject to continuous identification, monitoring and mitigation by its day to day management. Annually, the adequacy of MBE's capital and liquidity going forward is evaluated considering the development of MBE's risk profile taking into account its strategic plan as well as (expected) market conditions. The adequacy of capital and liquidity is also assessed under stressed conditions.

32. Risk management (continued)

Risk management approach

Besides newly implemented Risk Management Policy House (RMPH), which explains the interrelations between all risk management documentations, provides a structure to position new documentation, and helps with implementing new sets of regulations and/or rules, we have integrated risk management policy and systems provided by MUFG Bank. MBE's Risk Management Framework is designed to identify risks, determine the appetite for risk exposure, set limits to help management to keep risk exposure aligned to risk appetite and to monitor, analyse and report the development of risk exposure based on reliable risk assessments and information systems. Risk exposure may also be mitigated by risk transfer to the parent bank (group arrangements regarding capital, funding, liquidity or operational risk).

Risk appetite

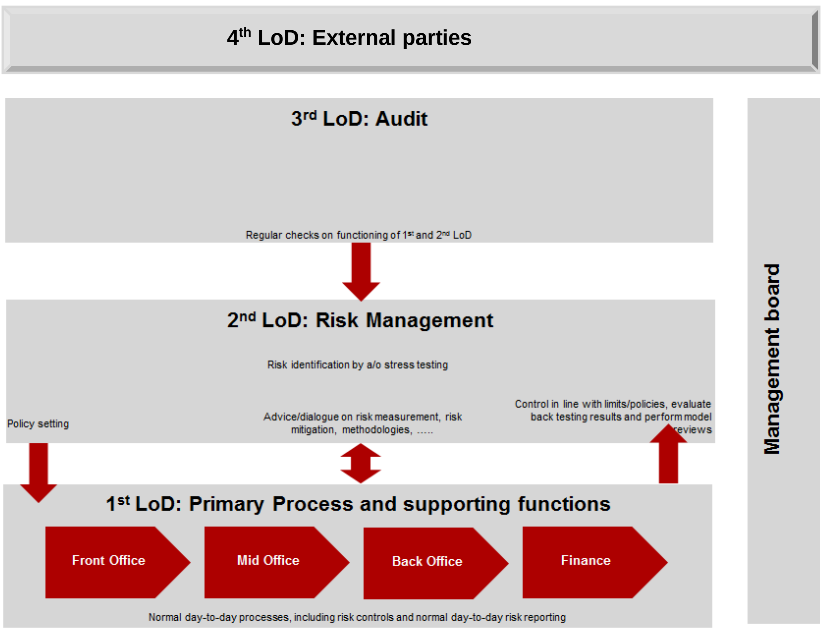
The risk appetite is the amount of risk that MBE is willing and able to accept in pursuit of its strategic objectives as expressed in the Medium Term Business Plan (MTBP). The risk appetite is linked to the risk capacity determined by capital available to cover unexpected losses (apart from a buffer to cover unknown risk). In the reporting period, MBE, in consultation with the Supervisory Board, has further defined and refined its risk appetite. The risk appetite statement is supported by a monitoring framework and trigger mechanism to allow for management intervention prior to potential losses occurring During the reporting period the level of risk appetite has been tested by elements of credit risk, subsequently triggering management attention and intervention.

MBE operates under the following overall Risk Appetite:

"MBE's risk appetite is driven by her Client-centric strategy and long-term rating ambition. MBE has a low to moderate appetite for credit risk and interest rate risk, in line with her business model; MBE is risk averse on other risk types. MBE determines here risk appetite conservatively within the constraints of her capital and liquidity capacity."

4 lines of Defence

MBE has implemented the 4 Lines of Defence (LoD) model. The 1st LoD executes the normal banking processes and supporting processes within MBE and is responsible for managing risks. The 2nd LoD sets risk policies and controls the implementation hereof in the 1st LoD. The 2nd LoD further identifies risks and advises the 1st LoD on risk topics. The 3rd LoD verifies the proper functioning of the 1st and 2nd LoD. The 4th LoD consists of external parties, namely auditors and regulatory supervisors. The external parties remain outside MBE's boundaries, but constitute a vital element of assurance and governance systems. The MB is accountable for the proper functioning of the model and the control over the risks.



Through clear articulation of roles and responsibilities across MBE, the model fosters a robust system of management that ensures sufficient level of active challenge and independent reviews.

32. Risk management (continued)

1st Line of Defence

The first line of defence is formed by the managers and staff of MBE who are responsible for identifying and managing risks as part of their accountability for achieving objectives. Collectively, they have the necessary knowledge, skills, information and authority to operate the relevant policies and procedures of risk control. They are responsible to secure compliance on a day-to-day basis with MBE's Risk Management Framework (RMF) to ensure that risks are identified, mitigated and managed appropriately in line with MBEs RAS.

2nd Line of Defence

The 2nd LoD provides risk management guidance and policies with independent surveillance and challenge the effectiveness of the 'first line' management to further ensure that risks are identified, assessed, managed, monitored and reported. The 2nd LoD is responsible for the ownership, development and effective implementation of the RMF, policies, methodologies and associated tools, which the business uses to execute their risk related responsibilities under the governance of the Management Board. Whilst some control activities may be undertaken by the second line support areas, there should be a clear segregation within the areas to secure the boundaries between the first and second line activities so that they do not influence each other operationally but must synchronize when required.

3rd Line of Defence

IA: Internal Audit (IA) function provides the '3rd line' objective assurance to local senior management and the Management Board on the adequacy and effectiveness of the existing RMF and related practices including the functioning of the 1st and 2nd LoD in coherence. It is also responsible for providing an independent assessment of the key risks MBE is facing and the status of the control environment. The internal audit function reports directly to the Chairman of the Management Board and via the Audit, Compliance and Risk committee to the Supervisory Board.

4th Line of Defence

The 4th LoD consists of external parties, namely external audit and regulatory supervisors, who provide independent and objective assurance of the overall effectiveness of the controls. It intends to enhance the coordination between external partied and internal auditors. Therefore, communication is the basis of the success of the 4th LoD to make risk control systems more effective.

Risk Committees

The Management Board is ultimately responsible for risk management, supported by several risk committees. Risk management, including systems and internal control, is evaluated in committees considering the full risk profile or more dedicated to a specific risk type. Below the committee structures of MBE as at 31 March 2019:

- Audit, Compliance & Risk Management Committee (ACR);
- Risk Management Committee (RMC);
- Credit Committee (CrC)
- Operation & IT Committee (OIC);
- Compliance Committee (CC);
- Project Board.

Encompassing the following dedicated committees:

- Asset & Liability Management Committee (ALMC);
- Operational, Information & Security Risk Committee (OISRC);
- New Product Committee (NPC);
- Anti-Money Laundering Committee (AMLC);
- Business Continuity Committee (BCC).

32. Risk management (continued)

(II) Credit risk

Credit risk is defined as the potential that a borrower under a loan contract or counterparty in a derivative contract will fail to meet its obligations in accordance with agreed terms, resulting in a financial loss for MBE. This includes risks arising from counterparty, country, transaction structure, collateral mismatch and also concentrations on various levels.

MBE manages its credit risks within the boundaries set by own policies, external regulations as well as (where relevant) internal policies from the MUFG Bank. MBE has established an internal framework to grant credit limits, maintain the asset quality, manage the credit exposures and achieve earnings commensurate with the risks undertaken by MBE. To mitigate the credit risk, counterparty limits and collateral management are essential instruments. As of April 2018, the Credit Committee was instituted to assign credit exposure limits according to internal ratings and risk assessment of the obligors. All obligors have individual credit limits based on their creditworthiness. MBE applies a MUFG Bank group-wide uniform credit rating system for asset evaluation and assessment, loan pricing and quantitative measurement of credit risk. This system also underpins the calculation of credit provisions and management of credit portfolios. Where deemed necessary the credit risk is mitigated by obtaining security.

Country risk (or sovereign, including transfer risk) is mitigated by limiting ourselves to selected countries, mainly in the European Union. Global country risk exposures as well as country risk limits are managed centrally by our parent bank. Where deemed necessary country risk is mitigated by prime corporate or bank (in particular by MUFG Bank) guarantees.

Derivative financial instruments

Counterparty credit risk arising from derivative financial instruments (e.g. FX, mostly forward and swap contracts and interest rate derivatives) is, at any time, limited to those with positive fair values, as recorded on the balance sheet.

Credit-related commitment risks

MBE makes guarantees available to its customers that may require MBE to make payments and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit MBE to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose MBE to similar risks as to loans and are mitigated by the same control processes and policies.

Commitments and guarantees

To meet the financial needs of customers, MBE enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of MBE.

Please see Note 28 for detailed information on the balance of contingent liabilities and commitments. The table in Note 28 shows MBE's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount MBE could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the balance sheet.

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Concentration risk is defined as the current or prospective risk to earnings and capital arising from large exposures to counterparties, whose probability of default are driven by common underlying factors such as sector, country or legally/economical connection. MBE's portfolio concentrations are managed and monitored by the Risk Appetite Statement/dashboard and periodically tested by specific severe stress scenarios in order to identify any potential capital shortfalls.

The following tables shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives, by industry and by geographical region before the effect of mitigation through the use of master pooling and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

32. Risk management (continued)

Risk concentration: by industry sector

31 March 2019 Financial assets	Oil & gas	Banks	Non-Bank Financial Institutions	Capital goods	Auto-motive	Govern-ment	Tech-nology	Transport & Logistics	Chemicals	Services	Others	Total
Cash and balances with central banks	-	1.863.905	-	-	-	-	-	-	-	-	-	1.863.905
	-	**1.863.905**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.863.905**
Placements with banks on demand	-	3.060.660	-	-	-	-	-	-	-	-	-	3.060.660
Fund placements	-	701.579	-	-	-	-	-	-	-	-	27	701.606
Loans and advances to banks	-	1.102.088	-	-	-	-	-	-	-	-	-	1.102.088
	-	**4.864.327**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27**	**4.864.354**
Derivative financial instruments	-	44.402	-	-	-	-	-	-	-	-	-	44.402
Loans and advances to customers	487.389	258.648	-	1.657.564	1.826.863	-	599.454	1.059.837	1.215.900	557.456	4.744.519	12.407.630
Financial instruments (IFRS 9)	-	-	-	-	-	60.439	-	-	-	-	-	60.439
Other assets	3.199	1.067	-	1.198	1.886	-	22	1.582	559	1.334	9.340	20.187
	490.588	**7.032.349**	**-**	**1.658.762**	**1.828.749**	**60.439**	**599.476**	**1.061.419**	**1.216.459**	**558.790**	**4.753.886**	**19.260.917**

31 March 2018 Financial Assets	Oil & gas	Banks	Non-Bank Financial Institutions	Capital goods	Auto-motive	Govern-ment	Tech-nology	Transport & Logistics	Chemicals	Services	Others	Total
Cash and balances with central banks	-	7.934.960	-	-	-	-	-	-	-	-	-	7.934.960
	-	**7.934.960**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7.934.960**
Placements with banks on demand	-	760.937	-	-	-	-	-	-	-	-	-	760.937
Fund placements	-	1.322.278	-	-	-	-	-	-	-	-	-	1.322.278
Loans and advances to banks	-	489	-	-	-	-	-	-	-	-	-	489
	-	**2.083.704**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.083.704**
Derivative financial instruments	-	23.782	-	-	-	-	-	-	-	-	-	23.782
Loans and advances to customers	470.636	-	-	1.232.344	1.220.165	-	193.320	963.333	429.911	275.217	1.854.004	6.638.930
Financial instruments available-for-sale (IAS 39)	-	-	-	-	-	35.612	-	-	-	-	-	35.612
Other assets	-	72	-	108	677	-	-	-	-	-	8.879	9.736
	470.636	**10.042.518**	**-**	**1.232.452**	**1.220.842**	**35.612**	**193.320**	**963.333**	**429.911**	**275.217**	**1.862.883**	**16.726.724**

32. Risk management (continued)

Risk concentration: by geographical area

31 March 2019 Financial assets	Netherlands	Other EU	Russia	USA	Switzerland	Japan	Others	Total
Cash and balances with central banks	1.748.008	115.897	-	-	-	-	-	1.863.905
	1.748.008	115.897	-	-	-	-	-	1.863.905
Due from banks								
Placements with banks - on demand	-	2.973.700	5	9.512	4.122	67.215	6.106	3.060.660
Placements with banks - term deposits	-	697.122	295	-	-	-	4.189	701.606
Loans and advances to banks	-	1.102.088	-	-	-	-	-	1.102.088
	-	**4.772.910**	**300**	**9.512**	**4.122**	**67.215**	**10.295**	**4.864.354**
Derivative financial instruments	4.365	39.827	-	-	209	-	1	44.402
Loans and advances to customers	3.360.021	7.398.723	91.218	475.774	236.428	602.815	242.651	12.407.630
Financial instruments (IFRS 9)	-	60.439	-	-	-	-	-	60.439
Other assets	4.431	12.033	1.304	402	347	30	1.640	20.187
	5.116.825	**12.399.829**	**92.822**	**485.688**	**241.106**	**670.060**	**254.587**	**19.260.917**

31 March 2018 Financial Assets	Netherlands	Other EU	Russia	USA	Switzerland	Japan	Others	Total
Cash and balances with central banks	7.497.923	437.037	-	-	-	-	-	7.934.960
	7.497.923	437.037	-	-	-	-	-	7.934.960
Due from banks								
Current accounts	920	751.877	2	6.560	1.578	-	-	760.937
Fund placements	-	1.271.902	42.686	-	-	-	7.690	1.322.278
Loans and advances to banks	-	-	-	-	-	-	489	489
	920	**2.023.779**	**42.688**	**6.560**	**1.578**	**-**	**8.179**	**2.083.704**
Derivative financial instruments	23.449	333	-	-	-	-	-	23.782
Loans and advances to customers	3.635.956	2.595.383	118.950	-	95.210	193.431	-	6.638.930
Financial instruments available-for-sale (IAS 39)	-	35.612	-	-	-	-	-	35.612
Other assets	8.671	330	-	-	-	-	735	9.736
	11.166.919	**5.092.474**	**161.638**	**6.560**	**96.788**	**193.431**	**8.914**	**16.726.724**

32. Risk management (continued)

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The maximum credit risks has decreased in comparison with prior year. On 31 March 2018 MBE held excess liquidity at the central bank to ensure that the liquidity position enabled a smooth transfer of the German, Spanish & Portuguese offices from MUFG Bank to MBE at 1 April 2018. After the transfer the excess liquidity was repaid.

Where deemed necessary and feasible, MBE obtains collateral, primarily in the form of:

- Guarantees from parent companies for credit limits to their subsidiaries.
- Bank guarantees, mainly from MUFG Bank.
- Credit insurance.
- Pledged, cash deposits.
- Other collateral for commercial lending such as pledges on moveable assets (inventory and trade receivables) or immoveable assets (ship or aircraft).

For credit limits exceeding MBE's legal lending limit and for credit limits to lower rated borrowers as well as for credit limits to syndicated borrowers MBE in principle obtains security in the form of guarantees and/or pledged cash deposits from our parent bank.

MBE monitors the market value of collateral, requests additional collateral in accordance with the underlying credit agreements. The proceeds are used to reduce or repay the outstanding claim. In general, MBE does not occupy repossessed properties for business use. MBE also makes use of master pooling agreements with counterparties with whom a significant volume of transactions is undertaken.

Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master pooling arrangements do not normally result in an offset of balance-sheet assets and liabilities unless certain conditions for offsetting under IAS 32 apply.

Although master pooling arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are released; and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

Credit quality by class of financial assets

The credit quality of financial assets is managed by MBE using a 15-grade, internal credit rating system of MUFG, which is applied MUFG Bank group-wide. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on MBE's internal credit rating system. Grades 8, 3, 9, and 10 are considered to be individually impaired. The amounts presented are gross of impairment allowances.

32. Risk management (continued)

<table>
<tr><th>Credit Quality Step (*) (CQS)</th><th>Meaning of the rating category</th><th>MBE Ratings</th><th colspan="2">Status</th><th>S&P Credit Rating equivalent</th></tr>
<tr><td>1</td><td>The rated entity has extremely/very strong capacity to meet its financial commitments and is subject to minimal/very low credit risk.</td><td>1</td><td colspan="2" rowspan="9">Performing</td><td>AAA - / AA-</td></tr>
<tr><td>2</td><td>The rated entity has strong capacity to meet its financial commitments and is subject to low credit risk but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than rated entities in CQS 1.</td><td>2</td><td>A+ / A-</td></tr>
<tr><td>3</td><td>The rated entity has adequate capacity to meet its financial commitments and is subject to moderate credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the rated entity to meet its financial commitments.</td><td>3</td><td>BBB+ / BBB-</td></tr>
<tr><td rowspan="3">4</td><td rowspan="3">The rated entity has the capacity to meet its financial commitments but is subject to substantial credit risk. It faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the rated entity's inadequate capacity to meet its financial commitments.</td><td>4</td><td>BB+</td></tr>
<tr><td>5-1</td><td>BB</td></tr>
<tr><td>5-2</td><td>BB-</td></tr>
<tr><td rowspan="3">5</td><td rowspan="3">The rated entity has the capacity to meet its financial commitments but is subject to high credit risk. Adverse business, financial, or economic conditions will likely impair the rated entity's capacity or willingness to meet its financial commitments.</td><td>6-1</td><td>B+</td></tr>
<tr><td>6-2</td><td>B</td></tr>
<tr><td>7</td><td>B-</td></tr>
<tr><td rowspan="6">6</td><td rowspan="6">The rated entity is currently vulnerable or highly vulnerable and is subject to very high credit risk, including in or very near to default. It is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.</td><td>8-1</td><td colspan="2" rowspan="2">Watch List</td><td>CCC</td></tr>
<tr><td>8-2</td><td>CC / C</td></tr>
<tr><td>8-3</td><td rowspan="2">Likely to become bankrupt</td><td rowspan="4">Non Performing Exposure (NPE)</td><td rowspan="4">D</td></tr>
<tr><td>9</td></tr>
<tr><td>10-1</td><td>Considered to be virtually bankrupt</td></tr>
<tr><td>10-2</td><td>Legally bankrupt</td></tr>
</table>

32. Risk management (continued)

31 March 2019 Financial assets	Neither past due nor impaired					
	Normal	Close watch	Likely to become bankrupt	Bankrupt or virtually bankrupt	Total	ECL*
Cash and balances with central banks	1.863.905	-	-	-	1.863.905	
Loans and advances to banks	4.864.281	47	26	-	4.864.354	(66)
Derivative financial assets	44.329	73	-	-	44.402	
Loans and advances to customers	12.051.155	267.246	89.229	-	12.407.630	(81.728)
	18.823.670	**267.366**	**89.255**	**-**	**19.180.291**	**(81.794)**
Financial instruments (IFRS 9)	60.439	-	-	-	60.439	
Other assets	19.702	312	173	-	20.187	
Total	**18.903.811**	**267.678**	**89.428**	**-**	**19.260.917**	**(81.794)**

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to paragraph 'Changes in Accounting Policies and disclosures'.

31 March 2018 Financial assets	Neither past due nor impaired				
	Normal	Close watch	Likely to become bankrupt	Bankrupt or virtually bankrupt	Total*
Cash and balances with central banks	7.934.960	-	-	-	7.934.960
Loans and advances to banks	2.083.704	-	-	-	2.083.704
Derivative financial assets	23.782	-	-	-	23.782
Loans and advances to customers	6.469.206	169.724	-	-	6.638.930
	16.511.652	**169.724**	**-**	**-**	**16.681.376**
Financial instruments available-for-sale (IAS 39)	35.612	-	-	-	35.612
Other assets	9.736	-	-	-	9.736
Total	**16.557.000**	**169.724**	**-**	**-**	**16.726.724**

(*)The amounts for the period ended 31 March 2019 related to financial instruments have been prepared in accordance with IFRS 9 and prior period amounts related to financial instruments have been prepared in accordance with IAS 39 as permissible under IFRS 9. Refer to paragraph 'Changes in Accounting Policies and disclosures'.

Credit risk exposure for each internal credit risk rating

It is MBE's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are derived in accordance with MUFG rating policy and procedures. The following table provides detailed information on the credit risk for each internal credit risk rating.

32. Risk management (continued)

Balance sheet items

	31 March 2019		
Normal	Gross carrying amounts	Net carrying amounts	ECL
1	2.548.824	2.548.820	(4)
2	7.087.535	7.087.291	(244)
3	4.307.612	4.307.283	(329)
4	2.177.300	2.177.058	(242)
5-1	1.228.500	1.228.277	(223)
5-2	546.415	546.233	(182)
6-1	276.802	276.710	(92)
6-2	139.208	139.185	(23)
7	593.921	592.955	(966)
Total 1-7	**18.906.117**	**18.903.812**	**(2.305)**
Close watch			
8-1	199.235	198.787	(448)
8-2	69.668	68.891	(777)
Total 8	**268.903**	**267.678**	**(1.225)**
Likely to become bankrupt			
8-3	124.552	73.704	(50.848)
9	43.139	15.723	(27.416)
Total 9	**167.691**	**89.427**	**(78.264)**
Bankrupt or virtually bankrupt			
10-1	-	-	-
10-2	-	-	-
Total 10	**-**	**-**	**-**
Total outstanding balance by risk class	**19.342.711**	**19.260.917**	**(81.794)**

32. Risk management (continued)

	31 March 2018		
Normal	Gross carrying amounts	Net carrying amounts	ECL
1	8.336.538	8.336.538	-
2	2.974.341	2.972.056	(2.285)
3	2.103.805	2.103.805	-
4	1.337.627	1.337.627	-
5-1	510.138	510.138	-
5-2	152.394	152.394	-
6-1	294.079	294.079	-
6-2	77.865	77.865	-
7	772.498	772.498	-
Total 1-7	**16.559.285**	**16.557.000**	**(2.285)**
Close watch			
8-1	2.001	2.001	-
8-2	167.723	167.723	-
Total 8	**169.724**	**169.724**	**-**
Likely to become bankrupt			
8-3	-	-	-
9	-	-	-
Total 9	**-**	**-**	**-**
Bankrupt or virtually bankrupt			
10-1	-	-	-
10-2	-	-	-
Total 10	**-**	**-**	**-**
Total outstanding balance by risk class	**16.729.009**	**16.726.724**	**(2.285)**

32. Risk management (continued)

Off-balance sheet items

	31 March 2019	
Normal	Carrying amounts	ECL
1	455.415	(1)
2	7.267.366	(91)
3	6.035.346	(177)
4	1.391.842	(91)
5-1	585.572	(71)
5-2	582.761	(120)
6-1	227.864	(45)
6-2	49.570	(118)
7	286.608	(195)
Total 1-7	**16.882.344**	**(909)**
Close watch		
8-1	21.398	(193)
8-2	30.467	(912)
Total 8	**51.865**	**(1.105)**
Likely to become bankrupt		
8-3	17	(667)
9	8.607	(575)
Total 9	**8.624**	**(1.242)**
Bankrupt or virtually bankrupt		
10-1	-	-
10-2	-	-
Total 10	**-**	**-**
Total outstanding balance by risk class	**16.942.833**	**(3.256)**

Credit risk exposure by internal risk class expressed in S&P rating equivalents

Please see Note 3 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

Collateral repossessed

During the 12 month period, MBE took no possession of any collateral at balance sheet data (neither in the previous 15 month period).

Impairment assessment

MBE aims to maintain sufficient level of reserves to cover its incurred losses. For accounting purposes MBE uses, as of 1 April 2018, a loss allowance for expected credit losses on financial assets and loans measured at either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) based on IFRS 9 which came into force starting from 1 January 2018.

In chapter accounting policies, expected credit loss approach is further elaborated. As of 31 March 2019, the breakdown of individually and collectively assessed expected credit losses for loans, cash and non-cash loans is as follows:

32. Risk management (continued)

ECL calculations

	Stage 1	Stage 2	Stage 3	Total
Loan and advances to banks				
1 April 2018	18	-	-	18
Addition due to new branches	40	3	-	43
Net impairment allowances	8	(3)	-	5
31 March 2019	**66**	**-**	**-**	**66**
Loans and advances to customers				
1 April 2018	928	2.045	-	2.973
Addition due to new branches	776	2.295	51.057	54.128
Net impairment allowances	(54)	(2.525)	27.206	24.627
31 March 2019	**1.650**	**1.815**	**78.263**	**81.728**
Off-Balance Sheet Items				
1 April 2018	183	247	63	493
Addition due to new branches	536	1.366	1.535	3.437
Net impairment allowances	(40)	(278)	(356)	(674)
31 March 2019	**679**	**1.335**	**1.242**	**3.256**
Total ECL as at 31 March 2019	**2.395**	**3.150**	**79.505**	**85.050**

There are three stages within the impairment calculation process and assets can be transferred from one stage to another stage during its lifetime according to the change in credit quality (whether there is evidence of a significant increase in credit risk) since initial recognition. Definitions of the three stages and what MBE considers a significant increase of credit risk and what is considered as default are disclosed in section “Accounting Policies for the Consolidated Financial Statements”.

Past due assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. Loans that are past due are monitored closely and a financial asset is, among others, considered to be defaulted if 90 days have passed since its repayment date (i.e. past due starts on the 91st day).

(III) Balance Sheet Risk

Balance sheet risk is the risk inherent to the structure of the balance sheet. This includes risks arising from mismatches in own funding and liquidity, maintaining capital adequacy, interest mismatch position and translation of assets and liabilities held in another currency. MBE defines four categories of balance sheet risk, as follows:

1. **Funding liquidity risk:** is the risk that the firm will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the firm.

2. **Capital risk:** the current and prospective risk that MBE cannot comply with appropriate level of capital balances (including risks associated with equity investments) without: a) hindering or limiting its operations (at high costs), and/or b) reputational damage.

3. **Interest rate risk (in the banking book):** the current or prospective risk to both the earnings and economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments, including gap risk, basis risk, and option risk.

4. **Translation risk:** the risk that MBE’s equity, assets, liabilities or income will change in value as a result of exchange rate changes. This occurs when a firm denominates a portion of its equities, assets, liabilities or income in a foreign currency.

Funding liquidity risk management

Funding liquidity risk is the risk of incurring losses if a poor financial position hampers the ability to meet funding requirements, or necessitates fund procurement at interest rates markedly higher than normal. Liquidity risk is managed in compliance with the MUFG Bank’s Balance Sheet Risk Management Policy, and liquidity risk procedures and control framework. MBE’s liquidity risk, interest rate risk and investment portfolio are evaluated by the ALMC. Daily and weekly monitoring of positions and/or limits and execution of periodical stress tests are performed by Risk Management Division.

32. Risk management (continued)

Diversification of funding sources

MBE maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. MBE's main funding source comprises its core deposit base as evidenced by a loan to deposit ratio of 119,1% as at 31 March 2019.

Additional funding is available from one of MUFG Bank global centres where treasury activities are regionally centralized. Furthermore, MBE's bond investment portfolio represents high quality collateral, which could be used to secure additional funding if required. MBE's liquidity position is managed by Treasury Division, which is mindful of expected future cash flows and liquidity and is independently monitored/reported on a daily basis by the Treasury Back Office and the Risk Management Division. Funding concentration risk is closely monitored and monthly reported to the ALMC.

Contingency funding and liquidity

Funding liquidity risk is centrally managed by MUFG Bank with a hub and spoke funding structure. Main hubs and Risk Management Divisions are located in Tokyo, New York, Hong Kong, Singapore and London, the latter being responsible for EMEA region. MUFG Bank has set 3 main liquidity stages: Normal, Concern and Crisis with according actions to which MBE must adhere to. The Normal stage is further subdivided into 3 sub-stages: ordinary, pre-caution and caution.

MUFG Bank, providing unlimited liquidity support, is MBE's main source for contingency funding. MUFG Bank was proven to be sound and resilient during the liquidity crisis back in 2008.

As local funding contingency MBE maintains sufficient liquidity and funding buffers which allows MBE to report the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) well above the regulatory required minimum.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. The Management Board has established limits on the non-trading interest rate gaps for stipulated periods which are reviewed and consulted semi-annually. In accordance with MBE's policy, gap and yield curve positions are monitored for each major currency in use on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Only a monthly basis, MBE reports the following four risk appetite Indicators for IRRBB which are aligned with EBA guidelines on the management of interest rate risk arising from non-trading activities.

Risk Appetite Indicator	Description
Outlier Criterion (Supervisory Stress Test)	Impact on EVE of a sudden parallel +/- 200 basis point shift in the yield curve
Present Value of a Basis Point (PV01)	Measurement of the absolute change of the equity value resulting from a 1 basis point (0,01%) parallel shift in the yield curve
Delta Net Interest Income (NII)	Measurement of the change of the net interest income over a two-year time horizon resulting from a sudden or gradual interest rate movement
Delta Economic Value of Equity (EVE)	Calculation of the impact on EVE of interest rate shocks prescribed by EBA

Analysis of financial assets & liabilities by remaining contractual maturity

The tables below summarises the maturity profile of MBE's financial assets and liabilities as at 31 March 2019. Trading derivatives, if any, are shown at fair value in a separate column. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations. Gross settled, non-trading derivatives are shown separately, by contractual maturity at the foot of the note.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, MBE expects that many customers will not request repayment on the earliest date MBE could be required to pay and the table does not reflect the expected cash flows indicated by MBE's deposit retention history.

Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket.

32. Risk management (continued)

Financial assets and liabilities by remaining contractual maturity

Maturity analysis of assets and liabilities	31 March 2019					
	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	1.826.505	37.400	-	-	-	1.863.905
Loans and advances to banks	3.066.486	612.644	402.925	693.806	88.493	4.864.354
Loans and advances to customers	2.883.016	3.048.627	896.160	4.638.698	941.129	12.407.630
Derivatives	44.402	-	-	-	-	44.402
Financial investments	-	60.439	-	-	-	60.439
Property and equipment	-	-	-	-	6.081	6.081
Intangible assets	-	-	-	-	15.836	15.836
Tax assets	-	31.638	-	-	25.604	57.242
Other assets	53.788	-	-	-	-	53.788
Total assets	**7.874.197**	**3.790.748**	**1.299.085**	**5.332.504**	**1.077.143**	**19.373.677**
Liabilities						
Due to banks & subordinated debt	48.662	1.479.256	1.097.298	2.526.792	625.273	5.777.281
Due to customers	9.787.094	1.208.679	222.228	145.529	-	11.363.530
Derivatives	43.697	-	-	-	-	43.697
Tax liabilities	-	151	-	-	945	1.096
Provisions	-	-	9.696	-	26.086	35.782
Other financial liabilities	303.404	-	-	-	-	303.404
Total liabilities	**10.182.857**	**2.688.086**	**1.329.222**	**2.672.321**	**652.304**	**17.524.790**
Net	**(2.308.660)**	**1.102.662**	**(30.137)**	**2.660.183**	**424.839**	**1.848.887**

Total gross settled derivatives	31 March 2019					
	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Gross settled derivatives						
Amounts receivable	-	1.345.672	1.143.628	296.502	-	2.785.802
Amounts payable	-	(1.344.626)	(1.143.025)	(296.327)	-	(2.783.978)
Total gross settled derivatives	**-**	**1.046**	**603**	**175**	**-**	**1.824**
Coupon interest due on financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**

32. Risk management (continued)

Maturity analysis of assets and liabilities	31 March 2018					
	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	7.934.960	-	-	-	-	7.934.960
Loans and advances to banks	696.740	1.356.269	19.679	8.216	2.800	2.083.704
Loans and advances to customers	1.788.191	1.495.040	868.518	1.736.965	750.216	6.638.930
Derivatives	23.782	-	-	-	-	23.782
Financial investments	35.612	-	-	-	-	35.612
Property and equipment	-	-	-	-	3.858	3.858
Intangible assets	-	-	-	-	7.122	7.122
Tax assets	-	11.193	-	-	5.444	16.637
Other assets	17.829	-	-	-	-	17.829
Total assets	**10.497.114**	**2.862.502**	**888.197**	**1.745.181**	**769.440**	**16.762.434**
Liabilities						
Due to banks & subordinated debt	175	7.435.829	507.940	1.079.389	602.612	9.625.945
Due to customers	5.116.650	685.988	23.336	100	-	5.826.074
Derivatives	23.618	-	-	-	-	23.618
Tax liabilities	-	121	-	-	150	271
Provisions	-	-	-	-	6.814	6.814
Other financial liabilities	44.886	-	-	-	-	44.886
Total liabilities	**5.185.329**	**8.121.938**	**531.276**	**1.079.489**	**609.576**	**15.527.608**
Net	**5.311.785**	**(5.259.436)**	**356.921**	**665.692**	**159.864**	**1.234.826**

Total gross settled derivatives	31 March 2018					
	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Gross settled derivatives						
Amounts receivable	49	1.051.061	411.463	277.945	-	1.740.518
Amounts payable	(49)	(1.050.507)	(411.081)	(277.774)	-	(1.739.411)
Total gross settled derivatives	**-**	**554**	**382**	**171**	**-**	**1.107**
Coupon interest due on financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The table below shows the contractual expiry by maturity of MBE's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

32. Risk management (continued)

Contingent liabilities & commitments by contractual maturity

	31 March 2019					
	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Financial guarantees	2.798	1.122	6.808	-	-	10.728
Letters of credit	141.446	108.899	632.466	515.613	509.464	1.907.888
Undrawn commitments to lend	6.040.680	199.280	1.316.773	7.113.317	354.167	15.024.217
Total guarantees & commitments	**6.184.924**	**309.301**	**1.956.047**	**7.628.930**	**863.631**	**16.942.833**
	31 March 2018					
	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Financial guarantees	10.436	26.417	168.948	242.770	137.517	586.088
Letters of credit	49	1.453	1.108	-	-	2.610
Undrawn commitments to lend	76.249	211.022	137.520	1.617.867	6.136	2.048.794
Total guarantees & commitments	**86.734**	**238.892**	**307.576**	**1.860.637**	**143.653**	**2.637.492**

Regarding MBE's ability to cope with unexpected utilization of these contingent liabilities or commitments, MBE has historical peak drawdown assumptions incorporated in its liquidity stress test scenarios.

(IV) Market risk

Market risk is defined as the potential for sustaining a loss due to a change in the price of (an open position of) assets or liabilities held (including off-balance sheet assets and liabilities) resulting from changes of risk factors like interest rates, exchange rates, equity prices, commodity prices and others.

1. **Foreign exchange risk (or currency risk):** is the risk of loss resulting from an adverse movement in foreign exchange rates resulting from open positions in FX contracts. From MBE's FX sales services to our customer open positions arise. These are normally hedged; however frictional positions from an operational efficiency point of view may remain with MBE.
2. **Market liquidity risk**: is the risk that a position cannot be easily unwound or offset at short notice without significantly influencing the market price because of inadequate market depth or market disruption. Additionally, it is the risk that funding of new client business may not be achievable in the market.
3. **Interest rate risk:** is the risk arising from changes in the market-driven interest rates used to value fixed income securities held in MBE's portfolio. Interest rate risk includes risks arising from the change in the absolute level of interest rates, a change in the spread between two rates, a change in the shape of the yield curve, or a change in any other interest rate relationship that will affect the value of the security. Interest Rate Risk under the Market Risk Policy is intended to cover interest rate risk in the (potential) trading book; interest rate risk in the banking book (IRRBB) is covered under EBA guidelines.
4. **Asset and/or credit risk:** is the market value of counterparty credit spread risk arising from positions measured at fair value. This risk arises from movements in credit spreads of the contracting parties, compounded by changes to the value or variability in the value of the underlying of the derivative transaction. It is the risk of incurring losses from the default of issuers of tradable debt or equity instruments (such as bonds or shares); the default risk is the potential loss arising from a financial transaction should the business partner not fulfill their contractual obligations either due to specific, economic, or political reasons.

Pursuant to MBE's strategy, the policy is to minimize market risks. Therefore MBE does not have trading activity and minimizes foreign exchange positions. Market transactions are limited to money market balance sheet funding operations, customer-driven foreign exchange cover transactions and bond investments, all deriving from and managed within the banking book. Consequently, no trading book is kept by MBE and therefore MBE is not exposed to material price risk.

MBE's bond investment portfolio is composed of bonds and bills issued by sovereigns and supranationals, typically with high credit ratings and shorter duration. The size of the portfolio is limited to the capital and reserves and is pledged to secure any borrowings under credit facility agreements with the Dutch, Czech and Polish central banks.

Most of MBE's derivative transactions relate to legacy transaction with customers which are normally offset by transactions with other (market) counterparties.

32. Risk management (continued)

The risks are mitigated by strict quantitative limits, which are reviewed semi-annually, and effective segregation between 1st line and 2nd line of defense responsibilities; the risks are tracked and controlled on an ongoing basis to ensure they are within predefined limits.

End of day foreign currency and interest rate position reports are prepared by Treasury Division, the Back Office and Risk Management Division and reported to management. Monthly position reports are submitted to the ALMC for review.

MBE is not active in securities investments. Pursuant to MBE's investment policy, securities investments are limited to Dutch government bonds, European Investment Bank Floating Rate Notes and Foreign Government bonds, constrained to investing MBE's capital and reserves and are pledged to secure any borrowings under credit facility agreements with the Dutch, Czech and Polish central banks.

Foreign exchange (or currency) risk

Foreign exchange (or currency) risk may arise from adverse movements in currency exchange rates. Currency risks arise primarily from funds borrowed or lent in foreign currency. MBE is a so-called "Non-Limit-Granted Unit" which means that the FX positions are kept within relatively narrow limits (of $ 0.5 mln. and $ 1.0 mln. respectively for FX spot and FX forwards). As a result, MBE is not exposed to any material foreign currency risk. Limits frameworks are in place to facilitate daily management of currency positions and forward transactions and currency options. In accordance with MBE's policy, positions are monitored on a daily basis the 1st and 2nd line of defense and reported to the ALMC for review; hedging strategies are used to ensure positions are maintained within established limits. Additionally, MBE may be exposed to Price Risk and Prepayment Risk, as described below.

	31 March 2019			31 March 2018		
Currency	Total assets	Total liabilities	Position	Total assets	Total liabilities	Position
EUR	12.444.092	(10.587.219)	1.856.873	11.273.292	(10.039.768)	1.233.524
CZK	327.094	(337.428)	(10.334)	439.734	(439.731)	3
PLN	783.981	(784.175)	(194)	795.685	(796.925)	(1.240)
USD	4.224.043	(4.226.235)	(2.192)	3.408.700	(3.411.112)	(2.412)
GBP	658.829	(653.017)	5.812	359.684	(353.587)	6.097
JPY	722.694	(723.782)	(1.088)	157.421	(158.575)	(1.154)
Other	212.944	(212.934)	10	327.918	(327.910)	8
Total	**19.373.677**	**(17.524.790)**	**1.848.887**	**16.762.434**	**(15.527.608)**	**1.234.826**

Currency sensitivity

	31 March 2019		31 March 2018	
Currency	Increase	Decrease	Increase	Decrease
EUR	185.687	(185.687)	123.352	(123.352)
CZK	(1.033)	1.033	-	-
PLN	(19)	19	(124)	124
USD	(219)	219	(241)	241
GBP	581	(581)	610	(610)
JPY	(109)	109	(115)	115
Other	1	(1)	1	(1)
Total	**184.889**	**(184.889)**	**123.483**	**(123.483)**

32. Risk management (continued)

Price risk

Price risk may arise from adverse movements in security and commodity prices and foreign exchange rates. MBE is not exposed to material price risk. The debt securities price risk exposure arises from government bonds or European Investment Bank Floating Rate Notes classified as fair value. Changes of prices relate to changes in interest rates, volatility or changes in the risk quality of the asset (sovereign risk). The fair value of the bond portfolio is monitored and reported weekly. MBE maintains trigger and tolerance levels to limit potential losses.

Interest rate risk

MBE's equity sensitivity to changes in interest rates is a measure of the sensitivities of its asset and liability mismatches to longer-term interest rate changes. The sensitivities include assumptions for product maturities and renewals along with certain customer behaviours (including prepayments and redemptions). MBE calculates these measures as the change in the present value of its asset and liability portfolios, including off-balance sheet instruments, resulting from an immediate and sustained interest rate shocks. The following table provides a sensitivity analysis of interest rate risk in relation to equity by currency for those currencies where MBE has material exposure. The calculation of the Economic Value of Equity (EVE) analysis as per 31 March 2019 shows that, in total an increase of 200 bp leads to € (20.191) equity and a decrease of 200 bp leads to an increase of € 2.661 equity.

	31 March 2019	
Interest rate sensitivity in € million	Increase/(decrease) in basis points	Sensitivity of equity
MBE (EVE)	200/(200)	(20.191)/2.661
Currency		
EUR	200/(200)	(17,259)/203
USD	200/(200)	(3.043)/3.090
GBP	200/(200)	(188)/80
PLN	200/(200)	18/(20)
CZK	200/(200)	632/(702)
JPY	200/(200)	326/9
Others	200/(200)	111/(632)

Prepayment risk

Prepayment risk may arise from customers and counterparties repayments or requests to repay earlier or later than expected when interest have dropped. Considering the interest term profile of the lending portfolio MBE is not exposed to material pre-payment risk.

(V) Operational risk

Operational risk refers to the risk of loss caused by either internal control issues, such as inadequate operational processes or misconduct, system failures, or external factors, such as a natural disaster. The term includes a broad range of risks that could lead to losses, including operations risk, information asset risk, reputation risk, legal risk, and tangible asset risk.

Based on the Head Office risk categorization, MBE has developed an operational risk categorisation with nine operational risk types, which constitute the Operational Risk Taxonomy. The Taxonomy may change as emerging or new risks are recognised.

32. Risk management (continued)

MBE defines nine types of operational risk:

- **HR risk**: the risk of sustaining a loss due to a loss of human resources or degradation of morale.
- **Systems risk:** the risk of sustaining a loss or disruption to business operation, loss of key systems, data and infrastructure as a result inadequate security measures, technology and system inadequacy; and inability to recover from failures.
- **Information security risk:** the risk of sustaining a loss, and related risk, caused by information loss, unauthorized alteration, misuse, leakage, destruction, suspension, malfunction, misuse, and other events.
- **Legal/tax/accounting risk**: the risk of sustaining a loss due to inadequate or deficient legal documentation and incorrect tax or financial reporting.
- **Crisis management risk:** the risk of sustaining a loss due to unavailability of staff, systems and/or business premises due to unforeseen events (e.g. natural disaster, major infrastructure outage, terrorism) leading to inability to conduct business.
- **Vendor/outsourcing risk:** the risk of loss to Bank due to failure of or incidents caused by (including intragroup) outsourced providers and vendors.
- **Change/project risk:** the risk of loss arising from project/change activities with impact on business processes, resources or systems, which may prevent the business from meeting objectives.
- **Model risk**: the risk of sustaining a loss, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such model.
- **Operations risk**: the risk of incurring loss that might be caused by operational processing not being properly executed either through negligence or misconduct whether intentional or otherwise. The operational risk MBE is exposed to (including IT risk and information asset risk) is mitigated by a MUFG group-wide risk management control system that includes incidents registration, loss data collection, control self-assessment (Global-CSA) and periodical Operational Risk Assessments (ORA), TRS updates; IT risks and information security risks through an extensive Self Inspection (SI) program.

The operational risk MBE is exposed to (including IT risk and information asset risk) is mitigated by a MUFG group-wide risk management control system that includes incidents registration, loss data collection, control self-assessment (Global-CSA) and periodical Operational Risk Assessments (ORA), TRS updates; IT risks and information security risks through an extensive Self Inspection (SI) program.

Operational risk is managed by written workflows, business process manuals and internal control measures. Within the framework of the MUFG bank-wide compliance with the Basel framework regarding operational risk, a web-based, operational risk loss database ('CORE') has been set up by MUFG, which is also used by MBE.

(VI) Compliance and integrity risk

MUFG has established Principles of Ethics and Conduct as the guidelines for how the Group's directors and employees act to realize the Corporate Vision, in which MUFG has expressed its commitment to complying with laws and regulations, to acting with honesty and integrity, and to behaving in a manner that supports and strengthens the trust and confidence of society.

MBE recognises compliance and integrity as number one value as it is MUFG's mission to be the world's most trusted financial group. Compliance is therefore a high priority in the control systems of MBE.

MBE defines compliance and integrity risk as follows: The risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

In close consultation with the parent bank, the Management Board has paid attention to enhance an appropriate and effective compliance structure aiming at sound and appropriate business management and to maintain customer confidence. MUFG Bank group-wide Compliance Quality Improvement Program (QIP) includes, among others, Anti-Money Laundering (AML) and Know-Your-Customer (KYC).

The Compliance and Risk Officer reports monthly to the Compliance Committee (CC), in which the full Management Board participates, on compliance issues and to the regional and global compliance offices of the parent bank located in London and Tokyo respectively.

(VII) Capital risk

The objective of MBE's capital management is to maintain healthy capital ratios aligned to business strategy and risk appetite and observing regulatory requirements in order to support its business expansion and contribute to shareholder's value. The minimum capital requirements under the European Capital Requirements Directive, based on the Basel Capital Accords framework and implemented in local laws for Financial Supervision (Wft) (CRD IV/CRR) are based on three pillars:

- Pillar 1 capital calculated based on Standardised Approach (SA), Marked to Market (MtM) and Basic Indicator Approach (BIA) as specified in banking regulation to cover unexpected losses arising from credit, market and operational risk.
- Pillar 2 capital needed according to MBE's internal view, also including capital buffers to cover unexpected losses that may arise from risks not included in Pillar 1 calculations.
- Pillar 3 regards disclosure requirements promoting transparency to stakeholders and market discipline.

32. Risk management (continued)

Current capital requirements compare total capital and Common Equity Tier 1 (CET1) capital with the total ***risk exposure*** amount (TREA, previously referred to as RWA: risk-weighted assets), including the off-balance sheet credit risk exposure arising from commitments and undrawn credit facilities. The minimum pillar I legal requirement for the total capital ratio is 8% of risk-weighted assets. The CRR also introduced a ***non-risk based*** capital ratio in 2013, the leverage ratio, to be further refined, calibrated and publicly disclosed as of 2016, before becoming a binding measure as of 2018. The minimum legal requirement for the leverage ratio is 3%.

MBE manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, MBE may adjust the amount of dividend payment to the shareholder, return capital to the shareholder or issue capital securities. No changes have been made in the objectives, policies and processes from the previous years.

Capital available

MBE's capital consists of Common Equity Tier 1 (CET1) capital (also referred to as 'going concern' capital) and Tier 2 capital (Subordinated debt). After adjustment in order to calculate the capital ratio according to banking regulations the breakdown is as follows:

Capital requirements	31 March 2019	31 March 2018
Common Equity Tier 1 capital		
Original Own funds:		
Issued capital	100.003	100.001
Share premium	1.334.304	706.696
Retained earnings	434.043	440.053
Result for the year	(10.162)	(5.581)
Capital requirements		
Common Equity Tier 2 capital		
Subordinated debt	300.000	300.000
Capital requirements		
Regulatory adjustments		
Revaluation reserve of financial investments	-	(1)
IAS 19R Pension adjustment	-	-
Other Intangible assets	(11.877)	(5.341)
Prudential filter	(159)	(84)
Defined benefit pension fund assets	-	-
Accumulated other comprehensive income	(7.329)	(6.342)
Total regulatory adjustments	**2.136.823**	**1.529.401**
Dividend proposed	-	-
Total capital after dividend proposed	**2.136.823**	**1.529.401**
Risk weighted assets	**13.606.032**	**4.300.253**

MBE has complied with the regulatory capital requirements throughout the reporting period and maintained capital ratios above the regulatory minimum ratios.

Solvency ratios	31 March 2019	31 March 2018
Tier 1 ratio	13,5%	28,6%
Capital ratio	15,7%	35,6%

As at 31 March 2019 MBE's total capital before proposed dividend amounted to € 2.139.777 (31 March 2018: € 1.529.401). The capital ratio decreased from 35,6 % on 31 March 2018 to 15,7% as per 31 March 2019. The leverage ratio, comparing Tier 1 capital (€ 1.839.777) to total non-risk weighted exposure (€ 25.049.055), was 7,3% (31 March 2018: 6,7%).

33. List of subsidiaries

Name of the subsidiary	Country of incorporation	Place	% equity interest 31 March 2019	% equity interest 31 March 2018
MUFG Business Services (Holland) B.V.	The Netherlands	Amsterdam	100	100
MUFG Europe Lease (Deutschland)	Germany	Dusseldorf	95	-
MUFG Funding (UK) Limited	United Kingdom	London	100	100

34. Proposed profit appropriation

The statutory provision regarding the profit appropriation reads as follows:

'The profit appearing from the confirmed Financial Statements shall be at the disposal of the General meeting of the shareholder.' The loss for the period ended 31 March 2019 amounts to € 10.163. The proposal to the General shareholder meeting to appropriate the loss is:

Appropriation of profit (loss)	
Transfer to reserves	(10.184)
Profit (loss) for the year	**(10.184)**

35. Subsequent events

Changes in Supervisory Board
On 2 June 2019, Mr. Osawa stepped down from the Supervisory Board and was succeeded by Mr. Sazaki on 5 June 2019. Mr. Sazaki has taken over the role of vice-chairman from Mr. Peacock. Mr. Sazaki is currently MUFG's Regional Executive for EMEA and in this role is responsible for safety, soundness and governance. He has worked for MUFG over 30 years across Asia, the US and EMEA and has broad experience in investment banking and governance matters.

On 1 September 2019, Mr. van Nieuwkerk stepped down from the Supervisory Board and was succeeded as Chairman by Mr. Nagel. The Supervisory Board has nominated a candidate to join the Supervisory Board as member later this year, subject to relevant approvals.

Changes in Management Board
On 19 April 2019 Ms. Shakhurina joined the Management Board as Chief Operations Officer. She joined MUFG in 2005 and has helped establish the bank's presence in Moscow over the past 14 years, most recently serving as President of MUFG Bank (Eurasia).

On 9 August 2019, Mr. Tobari resigned as President of the Management Board and was replaced by Mr. Takase. Mr. Takase has served MUFG in distinguished leadership positions in Japan and the United States as part of his 28-year career.

On 1 September 2019, Mr. Selles joined the Management Board as Chief Financial Officer. Prior to joining MBE, he held several executive positions in major financial institutions across Europe.

Other subsequent events
During May 2019 MBE agreed to sell a distressed Spanish infrastructure loan outside of the MUFG group which as per 31 March 2019 was in stage 3 under IFRS9. Due to the difference between the discount percentage of the sale and the total provision percentage as of 31 March 2019, there will be a release of provision in the period ended 31 March 2020, of € 12.800.

MBE has been in discussions with DNB regarding remediation of deficiencies in its AML framework and a possible breach of the applicable large lending limits. DNB has given instructions with respect to the standards for the AML framework and work is underway to achieve these.

It is currently unclear which specific consequences a possible breach of the applicable large lending limits may have. Possible measures could include a fine. It is yet unclear what the precise outcome will be, including the possible timing, scope or amounts.

Authorisation of Consolidated Financial Statements
Amsterdam, 18 September 2019

The Supervisory Board

W.F. Nagel, chairman

....

T. Sazaki, vice-chairman

....

K.W. Peacock

....

The Management Board

H. Takase, chairman

....

M.F. Rosenberg

....

K. Kuzuhara

....

E. Shakhurina

....

M.A.B. Selles

....

Parent Company Financial Statements as at 31 March 2019

Parent Company Balance Sheet

As at 31 March 2019

before appropriation of result

Assets unless stated otherwise amounts in thousands of €	Notes	31 March 2019	31 March 2018(*)
Intangible assets	F	15.836	7.122
Property and equipment	G	6.073	3.858
Investments in subsidiaries	E	7.415	6.848
Deferred tax assets		24.604	5.443
Loans and advances to banks	B	782.300	11.016
Loans and advances to customers	C	5.579.827	2.487.181
Non-current assets		**6.417.055**	**2.521.468**
Financial investments	D	60.439	35.612
Cash and balances with central banks	A	1.863.905	7.934.960
Loan and advances to banks	B	4.077.167	2.066.132
Loans and advances to customers	C	6.826.759	4.151.749
Current tax asset		31.638	11.193
Other assets	H	97.258	41.266
Current Assets		**12.957.166**	**14.240.912**
Total assets		**19.374.221**	**16.762.380**

Liabilities			
Issued capital	N	100.003	100.001
Share premium		1.334.304	706.696
Retained earnings		432.043	440.096
Revaluation reserve of financial investments		(2)	(1)
Foreign currency translation reserve		148	(43)
Revaluation actuarial	N	(7.476)	(6.342)
Result for the period		(10.163)	(5.581)
Shareholder's equity		**1.848.857**	**1.234.826**
Subordinated debt	K	300.000	300.000
Provisions	L	35.456	6.814
Deferred tax liabilities		-	150
Due to banks	I	2.852.065	1.382.001
Due to customers	J	145.529	100
Non-current liabilities		**3.333.050**	**1.689.065**
Due to banks	I	2.626.058	7.943.944
Due to customers	J	11.220.483	5.826.894
Current tax liabilities		65	130
Other liabilities	M	345.708	67.521
Current liabilities		**14.192.314**	**13.838.489**
Total liabilities and equity		**19.374.221**	**16.762.380**
Contingent liabilities	O	1.918.616	588.872
Irrevocable credit commitments	O	14.895.175	2.048.794

(*) The presentation of the comparative figures have been revised. The assets and Liabilities have been split into current and non-current, to provide a better insight.

Parent Company Income Statement

For the period ending 31 March 2019

unless stated otherwise amounts in thousands of €s

	Notes	31 March 2019	31 March 2018
Interest income	P	206.761	109.711
Interest expense	Q	119.168	74.756
Net interest income		**87.593**	**34.955**
Fee and commission income	R	21.904	8.097
Fee and commission expense	S	12.485	6.415
Net commission income		**9.419**	**1.682**
Other Operating Income	T	-	611
Result on financial transactions	U	42.654	25.247
Total operating income		**139.666**	**62.495**
Personnel expenses	Va	73.063	40.101
Depreciation of property and equipment	G	1.434	939
Amortisation of intangible assets	F	3.204	1.913
Other operating expenses	Vb	45.993	27.344
Total operating expenses		**123.694**	**70.297**
Impairment charges on financial assets		**(10.342)**	**696**
Impairment charges on non-financial assets		**-**	**(403)**
Profit before tax		**5.630**	**(7.509)**
Income tax expense (Expense)	W	(15.406)	1.782
Net Result Continued Operations		**(9.776)**	**(5.727)**
Result of group Companies after taxation		(387)	146
Net Result		**(10.163)**	**(5.581)**

Notes to Parent company Financial Statements

unless stated otherwise amounts in thousands of €

The parent company financial statements of MBE are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of Investments in group companies which are accounted for using the equity method of accounting in accordance with article 389, section 2 of Book 2, of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserve of subsidiaries are reflected in the Parent company's Revaluation reserve, which forms part of Shareholder's equity. Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with IFRS-EU, are included in the profit and loss account. For information regarding the risk management policies, related party transactions and other explanatory notes reference is made to the consolidated Financial Statements.

A. Cash and Balances with central banks

Cash and balances with central banks	31 March 2019	31 March 2018
Cash on hand	9	-
Balances with central bank	1.863.896	7.934.960
Cash and balances with central banks	**1.863.905**	**7.934.960**

Balances with central banks include mandatory reserve deposits amounting to € 1.863.905 (31 March 2018: € 7.934.960), which are not immediately available for MBE's day-to-day operations. The requirement for banks to maintain a minimum reduces MBE's exposure to liquidity risk. Cash and balances with central banks has decreased in comparison with prior year. On 31 March 2018, MBE held excess liquidity at the central bank to ensure that the liquidity position enabled a smooth transfer of the German, Spanish and Portuguese offices from MUFG Bank to MBE at 1 April 2018.

B. Loans and advances to banks

Loans and advances to banks	31 March 2019	31 March 2018
Placement with banks - term deposits	110.825	11.016
Loans and advances	671.475	-
Non-current loans and advances from banks	**782.300**	**11.016**
Placements with banks - on demand	3.061.664	2.065.643
Placement with banks - term deposits	584.956	-
Loans and advances	430.613	489
Allowance for impairment losses	(66)	-
Current loans and advances to banks	**4.077.167**	**2.066.132**
Loans and advances to banks	**4.859.467**	**2.077.148**

The amount receivable from MUFG Bank London branch is € 2.460.769 (31 March 2018: € 1.905.776). MBE entered into a financial collateral agreement dated 16 March 2016 with MUFG Bank London branch, whereby eligible government bonds amounting to € 3.700.000 are pledged by MUFG Bank to MBE. € 2.500.000 (31 March 2018: € 1.900.000) was used as credit risk mitigation to reduce MBE´s total risk exposure amount and to maintain its exposure to MUFG Bank within the legal lending limit.

C. Loans and advances to customers

Loans and advances to customers - by class	31 March 2019	31 March 2018
Corporate term loans	5.447.626	2.487.031
Personal loans	636	150
Bills of exchange	131.565	-
Non-current Loans and Advances to customers	**5.579.827**	**2.487.181**
Corporate term loans	1.830.555	1.926.149
Corporate current accounts	2.963.202	1.805.374
Private sector loans	-	16
Bills of exchange	2.114.307	422.495
Allowance for impairment losses	(81.305)	(2.285)
Current loans and advances to customers	**6.826.759**	**4.151.749**
Loans and advances to customers - by class	**12.406.586**	**6.638.930**

This item includes amounts receivable in connection with commercial loans and advances (such as loans, overdrafts in current account, bills discounted), due from counterparties other than banks.

A substantial part of the loans and advances is granted to Japanese-owned companies established in countries in which MBE has a presence. Collateral is frequently obtained in connection with loans and advances.

The following table analyses the loan portfolio by collateral type:

Loans and advances to customers - by collateral type	31 March 2019	31 March 2018
Guarantees received from MUFG Bank	-	318.950
Pledged deposits received from MUFG Bank	3.475.519	2.185.927
Pooling accounts of clients	2.434.018	1.614.189
Unsecured	6.578.354	2.522.149
	12.487.891	**6.641.215**
Allowance for impairment losses	(81.305)	(2.285)
Loans and advances to customers - by collateral type	**12.406.586**	**6.638.930**

Impairment allowance for loans and advances to customers

The movements in the allowances can be specified as follows:

	31 March 2019	31 March 2018
Balance at 1 April 2018/1 January 2017	(2.285)	(2.981)
IFRS 9 Transition impact	(1.199)	-
Adjusted, before impact of new branches	**(3.484)**	**(2.981)**
Addition due to new branches	(79.169)	-
IFRS 9 transition impact	21.561	-
Impact of new branches	**(57.608)**	**-**
Adjusted, including impact of new branches	**(61.092)**	**(2.981)**
Net impairment allowances (reversals)	(10.342)	696
Recovery of amounts previously written off	(13.193)	-
Balance at 31 March 2019/2018	**(84.627)**	**(2.285)**

D. Financial investments

Financial investments	31 March 2019	31 March 2018
Foreign Government Bonds	60.439	35.612
Financial investments	**60.439**	**35.612**

The financial investments consist only of short term Polish government bonds, which are pledged for liquidity purposes to the Polish central bank to secure any borrowings. The business model of the financial investments portfolio is hold to collect or sell. Financial investments are measured at Fair Value though Other Comprehensive Income.

E. Investments in subsidiaries

MBE has the following subsidiaries:

Investments in subsidiaries	31 March 2019		31 March 2018	
	Interest held %	Balance Sheet Value	Interest held %	Balance Sheet Value
MUFG Europe Lease (Deutschland) GmbH	95	573	-	-
MUFG Business Service (Holland) B.V.	100	227	100	388
MUFG Funding Limited	100	6.615	100	6.460
Investments in subsidiaries		**7.415**		**6.848**

The shares of the subsidiaries are not listed on any stock exchange. The movements are as follows:

	31 March 2019	31 March 2018
As at 1 April 2018/ 1 January 2017	**6.848**	**122.637**
Addition of MUFG Europe Lease (Deutschland) GmbH	928	-
Net profit for the period	(387)	146
Dividend payment	(165)	(1.300)
Translation differences	191	(141)
Poland transfer to branch	-	(114.494)
As at 31 March 2019/2018	**7.415**	**6.848**

F. Intangible assets

Intangible assets	31 March 2019	31 March 2018
As at 1 April 2018/ 1 January 2017	**7.122**	**3.906**
Additions due to new offices	252	-
Other additions	11.276	2.479
Disposals	-	-
Amortisation	(3.204)	(1.913)
Under development	392	3.049
Impairment (loss)	-	(403)
Exchange rate adjustments	(2)	4
As at 31 March 2019/2018	**15.836**	**7.122**
Accumulated cost	39.697	17.591
Accumulated amortisation	(23.861)	(10.469)
Intangible assets	**15.836**	**7.122**

The intangible assets consist of software and licenses. The total purchase of intangible assets is € 11.668, which includes intangible assets under development of € 392. The amortisation period varies between 1 and 5 years. MBE has not identified any events or circumstances which would indicate intangible assets may be impaired for 31 March 2019 (31 March 2018: € (403)).

G. Property and equipment

Property and Equipment	31 March 2019			31 March 2018		
	Operations equipment	Leasehold improve-ments	Total	Operations equipment	Leasehold improve-ments	Total
As at 1 April 2018/ 1 January 2017	**1.167**	**2.691**	**3.858**	**659**	**184**	**843**
Addition due to new offices/subsidiaries	1.992	1.039	3.031	-	-	-
Other additions	592	40	632	1.154	2.797	3.951
Disposals	-	(13)	(13)	-	(3)	(3)
Depreciation	(933)	(501)	(1.434)	(649)	(290)	(939)
Exchange adjustments	(1)	-	(1)	3	3	6
As at 31 March 2019/2018	**2.817**	**3.256**	**6.073**	**1.167**	**2.691**	**3.858**
Accumulated cost	11.356	9.130	20.486	5.253	4.239	9.492
Accumulated depreciation	(8.539)	(5.874)	(14.413)	(4.086)	(1.548)	(5.634)
Property and Equipment	**2.817**	**3.256**	**6.073**	**1.167**	**2.691**	**3.858**

The property and equipment relates to small office equipment's and improvements to the office (leasehold improvements). The amortization period varies between 2-16 years.

H. Other assets

Other assets	31 March 2019	31 March 2018
Accrued interest	20.040	9.731
Prepayments	32.040	7.753
Derivative financial instruments	45.178	23.782
Other assets	**97.258**	**41.266**

I. Due to banks

This item comprises debts to credit institutions and central banks.

Due to banks	31 March 2019	31 March 2018
Term deposits	2.852.065	1.382.001
Non-current due to banks	**2.852.065**	**1.382.001**
Nostro accounts	48.662	175
Term deposits	2.577.396	7.943.769
Current due to banks	**2.626.058**	**7.943.944**
Due to banks	**5.478.123**	**9.325.945**

The term deposits from MUFG Bank, pledged on behalf of loans and advances to customers or banks granted by MBE, amount to € 3.855.186 (31 March 2018: € 2.185.927). The total amount owed to MUFG Bank, including pledged deposits, is € 5.478.123 (31 March 2018: € 9.325.770).

J. Due to customers

Due to customers	31 March 2019	31 March 2018
Term deposits	145.529	100
Non-current due to customers	**145.529**	**100**
Current accounts	9.782.299	5.116.309
Term deposits	1.438.184	710.585
Current due to customers	**11.220.483**	**5.826.894**
Due to customers	**11.366.012**	**5.826.994**

Included in 'Due to customers' are deposits and/or current accounts of € 2.413.118 (31 March 2018: € 1.614.189), which are regarded as collateral (pooling accounts) for current account overdraft balances of clients.

K. Subordinated debt

Subordinated debt	31 March 2019	31 March 2018
Subordinated debt	**300.000**	**300.000**

MUFG Bank has granted MBE a subordinated bullet loan in order to strengthen the capital position of MBE. The maturity date is 23 March 2028 and the loan has an annual interest rate of 1,704%. The subordinated debt is part of the total capital amount of MBE as Tier 2 capital.

L. Provisions

Provisions	31 March 2019	31 March 2018
Expected credit loss	3.256	-
Defined benefit plan – the Netherlands	6.701	6.814
Pension liability – Germany	19.385	-
Provision for early retirement Spain	6.114	-
Provisions	**35.456**	**6.814**

M. Other liabilities

Other liabilities	31 March 2019	31 March 2018
Accrued interest/Unearned income	33.070	14.751
Account payable and suspense accounts	268.905	29.152
Derivative financial instruments	43.733	23.618
Other liabilities	**345.708**	**67.521**

For the defined benefit retirement and early retirement liability please refer to Note 12 to the consolidated Financial Statements. The pension plans as disclosed in the 'Consolidated Financial Statements' entirely relate to the parent company.

N. Issued capital and other reserves

The authorised capital amounts to € 136.200 (31 March 2018: € 136.200) and consists of 300.000 ordinary shares of € 454 each (unit: one €). On 1 April 2018, MBE issued 4 shares for the transfer of the German and Spanish branches. The number of issued and fully paid-up shares has increased to 220.270 (31 March 2018: € 220.266). Issued and fully-paid amounts to € 100.003 (31 March 2018: € 100.001). All shares issued are held by MUFG Bank, a wholly-owned subsidiary of MUFG Inc.

MBE has no share option schemes under which options to subscribe for MBE's shares have been granted to executives and senior employees. The Revaluation reserve financial investments assets is a legal reserve under Dutch law.

	Issued capital	Share premium	Retained earnings	Revaluation reserve Financial investments	Foreign currency translation reserve	Revaluation Actuarial	Total
As at 1 January 2017	**100.001**	**81.696**	**440.096**	**323**	**98**	**(6.361)**	**615.853**
Foreign currency translation reserve	-	-	-	-	(141)	-	(141)
Total comprehensive income	-	-	(5.581)	(324)	-	19	(5.886)
Share premium from parent	-	625.000	-	-	-	-	625.000
As at 31 March 2018	**100.001**	**706.696**	**434.515**	**(1)**	**(43)**	**(6.342)**	**1.234.826**
IFRS 9 impact	-	-	(1.199)	-	-	-	(1.199)
Expected credit loss impact due to new Branches	-	-	14.957	-	-	-	14.957
Issue of share capital	2	(2)	-	-	-	-	-
Share premium issuance	-	627.610	-	-	-	-	627.610
Foreign currency translation reserve	-	-	-	-	191	-	191
Total comprehensive income	-	-	(10.163)	(1)	-	(1.134)	(11.298)
Pension Liability from new branch	-	-	(3.371)	-	-	-	(3.371)
Unearned revenue from new branch	-	-	(12.859)	-	-	-	(12.859)
At 31 March 2019	**100.003**	**1.334.304**	**421.880**	**(2)**	**148**	**(7.476)**	**1.848.857**

O. Contingent liabilities and commitments

Contingent liabilities and commitments	31 March 2019	31 March 2018
Letters of credit	10.728	2.610
Financial guarantees	1.907.888	586.262
Contingent liabilities	**1.918.616**	**588.872**
Irrevocable credit commitments	14.895.175	2.048.794
Irrevocable credit commitments	**14.895.175**	**2.048.794**

Letters of credit, guarantees and acceptances commit MBE to make payments on behalf of customers that fail to perform under the terms of the contract, generally related to the export or import of goods. Guarantees carry the same credit risk as loans.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. In general commitments have fixed expiration dates or termination clauses. MBE is potentially exposed to losses to a maximum amount of the total unused commitments.

P. Interest income

Interest income	31 March 2019	31 March 2018
Cash and balances with central banks	210	236
Loans and advances to banks	7.281	5.576
Loans and advances to customers	191.033	100.317
Financial investments	567	1.102
Interest rate swaps	7.488	2.395
Others	182	85
Interest income	**206.761**	**109.711**

Q. Interest expense

Interest expense	31 March 2019	31 March 2018
Due to banks	86.336	57.444
Due to customers	25.792	13.137
Interest rate swaps	6.966	4.136
Others	74	39
Interest expense	**119.168**	**74.756**

R. Fee and commission income

Fee and commission income	31 March 2019	31 March 2018
Commission on funds transfer and letters of credit	10.073	4.383
Commission on guarantees	7.843	2.124
Brokerage and advisory fees	1.129	1.117
Commission on corporate management services	20	-
Other commission income	2.839	473
Fee and commission income	**21.904**	**8.097**

S. Fee and commission expense

Fee and commission expense	31 March 2019	31 March 2018
Commission on (credit replacing) guarantees	4.336	3.794
Commission on funds transfer and letters of credit	847	684
Commission on corporate management services	-	-
Other commission expenses	7.302	1.937
Fee and commission expense	**12.485**	**6.415**

T. Other operating income

Other operating income	31 March 2019	31 March 2018
Other operating income	**-**	**611**

U. Result on financial transactions

Result on financial transactions	31 March 2019	31 March 2018
Result on financial transactions	**42.654**	**25.247**

This item includes the foreign currency results of MBE amounting € 42.654 (31 March 2018: € 25.247). As explained in Note 32 to the consolidated Financial Statements, MBE's policy is to eliminate currency risks on financial assets and liabilities.

Va. Personnel expenses

Personnel expenses	31 March 2019	31 March 2018
Wages and salaries	50.239	26.085
Social security costs	7.734	2.973
Pension costs	3.419	2.908
Reorganisation expenses	1.922	-
Other staff costs	9.749	8.135
Personnel expenses	**73.063**	**40.101**

The average total number of employees during the period ended 31 March 2019 is 622 (31 March 2018: 255), of which 241 (31 March 2018: 194) are employed in the Netherlands and 208 are employed in Germany. Other staff costs include mainly the costs related to contracted employees and/or agency employees.

Vb. Other operating expenses

Other operating expenses	31 March 2019	31 March 2018
Occupancy expenses	5.642	2.701
Office expenses	13.782	9.037
Professional fees	7.494	3.570
Business promotion expenses	4.549	3.035
VAT and sundry taxes	10.123	9.001
Other operating expenses	4.403	-
Other operating expenses	**45.993**	**27.344**

Occupancy expenses merely relate to office rent. Office expenses relate to IT services, regulatory supervision expenses and other office expenses.

W. Income tax expense

The components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are:

Income tax	31 March 2019	31 March 2018
Current tax		
Current income tax	(15.976)	1.787
Adjustment in respect of current income tax of prior years	(10)	(5)
Deferred tax		
Reversal of carry forward losses	(2.935)	-
Severance & pension	(557)	-
ECL	1.275	-
Other	2.797	-
Income tax	**(15.406)**	**1.782**

X. Maturity analysis of assets and liabilities

	31 March 2019					
Financial assets	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and balances with central banks	1.826.505	37.400	-	-	-	1.863.905
Loans and advances to banks	3.061.598	612.644	402.925	693.806	88.494	4.859.467
Loans and advances to customers	2.881.972	3.048.627	896.160	4.638.698	941.129	12.406.586
Financial instruments at FVOCI (IFRS 9)	-	60.439	-	-	-	60.439
Total financial assets	**7.770.075**	**3.721.710**	**1.299.085**	**5.332.504**	**1.029.623**	**19.190.397**

	31 March 2019					
Financial liabilities	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Due to banks	49.504	1.479.256	1.097.298	2.526.792	325.273	5.478.123
Due to customers	9.789.576	1.208.679	222.228	145.529	-	11.366.012
Subordinated debt	-	-	-	-	300.000	300.000
Total financial liabilities	**9.839.080**	**2.687.935**	**1.319.526**	**2.672.321**	**625.273**	**17.144.135**

	31 March 2018					
Financial assets	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and balances with central banks	7.934.960	-	-	-	-	7.934.960
Loans and advances to banks	690.184	1.356.269	19.679	8.216	2.800	2.077.148
Loans and advances to customers	1.788.192	1.495.039	868.518	1.736.965	750.216	6.638.930
Financial instruments available-for-sale (IAS39)	35.612	-	-	-	-	35.612
Total financial assets	**10.448.948**	**2.851.308**	**888.197**	**1.745.181**	**753.016**	**16.686.650**

	31 March 2018					
Financial liabilities	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Due to banks	175	7.435.829	507.940	1.079.389	302.612	9.325.945
Due to customers	5.117.571	685.988	23.335	100	-	5.826.994
Subordinated debt	-	-	-	-	300.000	300.000
Total financial liabilities	**5.117.746**	**8.121.817**	**531.275**	**1.079.489**	**602.612**	**15.452.939**

Y. Proposed profit appropriation

Result from group companies and participating interest
The statutory provision regarding the profit appropriation reads as follows:

'The profit appearing from the confirmed Financial Statements shall be at the disposal of the General meeting of the shareholder.' The loss for the period ended 31 March 2019 amounts to € 10.163. The proposal to the General shareholder meeting to appropriate the loss is:

Appropriation of profit (loss)	
Transfer to reserves	(9.776)
Profit (loss) for the year	**(9.776)**

Z. Subsequent events

Changes in Supervisory Board
On 2 June 2019, Mr. Osawa stepped down from the Supervisory Board and was succeeded by Mr. Sazaki on 5 June 2019. Mr. Sazaki has taken over the role of vice-chairman from Mr. Peacock. Mr. Sazaki is currently MUFG's Regional Executive for EMEA and in this role is responsible for safety, soundness and governance. He has worked for MUFG over 30 years across Asia, the US and EMEA and has broad experience in investment banking and governance matters.

On 1 September 2019, Mr. van Nieuwkerk stepped down from the Supervisory Board and was succeeded as Chairman by Mr. Nagel. The Supervisory Board has nominated a candidate to join the Supervisory Board as member later this year, subject to relevant approvals.

Changes in Management Board
On 19 April 2019 Ms. Shakhurina joined the Management Board as Chief Operations Officer. She joined MUFG in 2005 and has helped establish the bank's presence in Moscow over the past 14 years, most recently serving as President of MUFG Bank (Eurasia).

On 9 August 2019, Mr. Tobari resigned as President of the Management Board and was replaced by Mr. Takase. Mr. Takase has served MUFG in distinguished leadership positions in Japan and the United States as part of his 28-year career.

On 1 September 2019, Mr. Selles joined the Management Board as Chief Financial Officer. Prior to joining MBE, he held several executive positions in major financial institutions across Europe.

Other subsequent events
During May 2019 MBE agreed to sell a distressed Spanish infrastructure loan outside of the MUFG group which as per 31 March 2019 was in stage 3 under IFRS9. Due to the difference between the discount percentage of the sale and the total provision percentage as of 31 March 2019, there will be a release of provision in the period ended 31 March 2020, of € 12.800.

MBE has been in discussions with DNB regarding remediation of deficiencies in its AML framework and a possible breach of the applicable large lending limits. DNB has given instructions with respect to the standards for the AML framework and work is underway to achieve these.

It is currently unclear which specific consequences a possible breach of the applicable large lending limits may have. Possible measures could include a fine. It is yet unclear what the precise outcome will be, including the possible timing, scope or amounts.

Authorisation of Consolidated Financial Statements
Amsterdam, 18 September 2019

The Supervisory Board

W.F. Nagel, chairman

....

T. Sazaki, vice-chairman

....

K.W. Peacock

....

The Management Board

H. Takase, chairman

....

M.F. Rosenberg

....

K. Kuzuhara

....

E. Shakhurina

....

M.A.B. Selles

....

Other information

Articles of Association – Appropriation of results

The result is appropriated pursuant to Article 16 of the Deed of Amendment Article of Association of MUFG Bank (Europe) N.V.
16.1 The profit, which is apparent from the confirmed annual accounts, is at the disposal of the General Meeting of Shareholders.
16.2 The company can only pay dividends to shareholders and other entitled to the distributable profits, in as far as it's paid- up and called up capital and retained earnings are larger than the paid up and called up part of the capital increased by the reserves which have to be maintained by law or under the articles of association.
16.3 The general meeting of shareholders can decide in the course of a financial year to pay out an interim dividend if the legal requirements set forth in article 16.2 of this article are fulfilled.

Independent auditor's report

To the shareholders and the supervisory board of MUFG Bank (Europe) N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS THE YEAR ENDED 31 MARCH 2019 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements the year ended 31 March 2019 of MUFG Bank (Europe) N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the parent company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of MUFG Bank (Europe) N.V. as at 31 March 2019, and of its result and its cash flows the year ended 31 March 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying parent company financial statements give a true and fair view of the financial position of MUFG Bank (Europe) N.V. as at 31 March 2019, and of its result the year ended 31 March 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position for the year ended 31 March 2019.

2. The following statements for the year ended 31 March 2019: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company financial statements comprise:

1. The parent company balance sheet as at 31 March 2019.

2. The parent company profit and loss account for the year ended 31 March 2019.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of MUFG Bank (Europe) N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6.500.000. The materiality is based on 2,5% of revenue. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 325.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
MUFG Bank (Europe) N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of MUFG Bank (Europe) N.V.

Our group audit mainly focused on significant group entities.

We have:

- Performed audit procedures ourselves at the branch in Amsterdam and performed audit procedures at group level on areas such as loan loss provisioning (IFRS 9), deferred taxes, consolidation process, disclosure requirements and regulatory compliance.

- Used the work of other auditors when auditing the branches in Germany, Spain and Poland.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements and the parent company financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Completeness loan loss provisioning**

Key audit matter

MUFG Bank (Europe) N.V. provides credit to both Japanese and non-Japanese corporate clients. Because of the uncertainty and risk in a number of areas when determining the loan loss provisioning for the loan portfolio, loan impairment provisioning is an important area of judgment and estimate by management. Therefore, we have classified the completeness of loan loss provisioning as a key audit matter.

Audit procedures performed

We have tested the design, implementation and operating effectiveness of the identified controls over the credit function relevant for our audit. We have performed substantive procedures concentrating on the existence and valuations of the loans. We have reviewed key judgments and estimates made by management, including a review of a sample of loan files to assess the requirement for any specific and collective loan loss provisioning. Reference is made to note 2, note 3 and note 12 in the financial statements.

- **Regulatory requirements and compliance**

Key audit matter

MUFG Bank (Europe) N.V. is regulated by various regulators in jurisdictions in which it operates. Regulatory requirements may change over time which require management to align internal procedures to adhere to these changes. The risk exists that MUFG Bank (Europe) N.V. may not comply with regulatory requirements. Therefore, we have classified regulatory requirements and compliance as a key audit matter.

Audit procedures performed

We have assessed communication between MUFG Bank (Europe) N.V. and its regulators. In addition, we have reviewed regulatory examination reports and met with regulators and management to get an understanding of current regulatory requirements and assess MUFG Bank (Europe) N.V.'s compliance to these requirements. Reference is made to note 32.VI and note 35 in the financial statements.

- **Reliability and continuity of the financial information systems**

Key audit matter

Given the activities of MUFG Bank (Europe) N.V., the continuity of the operations is highly dependent on the IT-infrastructure as also explained in the Risk management disclosure note in the financial statements. Therefore, reliability and continuity of the automated systems has been a key audit matter during our audit.

Audit procedures performed

We have tested the reliability and continuity of the automated systems relevant for our audit. For this purpose, we have made use of IT auditors within our audit team and other auditors within the Deloitte network. Our procedures included testing the design, implementation and operating effectiveness of the relevant general IT and application controls and the testing of compensating controls when applicable.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- The paragraphs "Who we are", "Our business model", "Key figures as per balance sheet date" and "general information".
- Report of the Supervisory Board.
- Report of the Management Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Annexes

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement
We were engaged by the supervisory board as auditor of MUFG Bank (Europe) N.V. on July 29, 2016, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 18 September 2019

Deloitte Accountants B.V.

Signed on the original: R.J.M. Maarschalk

Annexes

Corporate Data

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